

23

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5185 REGISTERED AS A NEWSPAPER JANUARY 9, 1943 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

Unity in Attack - - -	33	US Political Prospects - -	42
Third Colonial System - -	35	Russian Management - -	46
The National Budget - -	36	Germany's Loot - - -	47
NOTES OF THE WEEK - - -	38	FINANCE AND BANKING - - -	48
The Russian Advance; Two Months in Tunisia; The Test of Battle; Facts and Efficiency; Lords of Empire; The Pacific Front; Diplomatic Exchange; Legitimate Government?; A Historian Looks Ahead; Planning and People; A Quarter's Babies; Design for Living; Backs to the Wall; German Diplomacy; Trade Unionists; Priorities for China; Shorter Notes.		Return to Abundance; Floating Debt in December; Financing Expenditure; The Bullion Market; US Discount Rates.	
AMERICAN SURVEY - - -	42	INVESTMENT - - - - -	50
Political Prospects; The Fateful Decade; \$90 Billion Job; The Great Debate; Correction.		Long Period Equity Trends; Northern Ireland Conversion; Railway Stock Recovery; Carreras Meeting; Rhodesian Copper Outlook; Lower Capital Issues; Turner and Newall Investments; Harrods (BA) Results; Apex (Trinidad) Accounts.	
THE WORLD OVERSEAS - - -	44	INDUSTRY AND TRADE - - -	53
Science and Industry in Fire; Mexico's War Production; Russia at War.		Royal Ordnance Factories; Steel Supplies; Passenger Transport Facilities; Economising Tin; Vegetable Prices; Gas and Electricity; Cotton Cloth Prices Raised; Coal Export Railway Rebate; Farmers and Food.	
		COMPANY MEETING - - -	55
		RECORDS AND STATISTICS - -	55

Unity in Attack

69296

IF unity in military collaboration now and unity in political collaboration after victory were enough, the United Nations would have solid grounds for satisfaction. They are not enough. Between the military operations of to-day and future victory lies an enormous enterprise of reconquest, the reoccupation of Europe. As the first essay in the technique of reoccupation, the entry into North Africa, has shown, this task is at once political and military. Political agreement cannot be postponed until victory. It must begin now. If it is neglected or bungled, the gap between military victory in battle and political victory in creating a lasting peace will not be filled. Bad political arrangements made on the spur of the military moment can crystallise almost immediately into claims and counterclaims and vested interests which effectively frustrate the final settlement. Disagreement between the Allies over these arrangements can dissipate the will to collaborate further before the peace negotiations even begin. It should be graven on the heart of each Allied statesman that to accompany effective military action with ineffective political action is in the long run, even if not in the short, to frustrate the end for which the military action was taken. If people were sceptical on this point before the occupation of French North Africa, the unfortunate course of events there should have convinced them now. Rightly interpreted, the North African muddle can guide the Allied leaders towards the kind of decisions they must take. True, these cover the most delicate problems raised by the Grand Alliance. They posit issues on which

opinion is divided. Many are highly controversial. But North Africa has shown what happens when issues of this sort are not faced directly. It would be absolutely fatal if, for their heraldic symbol, the United Nations were to adopt an ostrich dormant in a heap of sand.

The first principle of Allied political action must be broad agreement between the Allies, and particularly—in Europe—between the three Allies, Britain, Soviet Russia and the United States. This was absent in the North African venture. The British Government specifically dissociated itself from many of the arrangements. The Soviet Union asked questions and otherwise maintained a discreet silence. If it were not still possible to retrieve the situation, the unfortunate precedent would have been established that the invading general, of whatever Allied nation, determines both with whom and on what terms the armies of liberation will deal. The dangers of this precedent to a unified European settlement are obvious. The reoccupation of Europe may well be a converging movement from all three sides of Hitler's fortress. It is essential that as the English-speaking armies advance from the south and west and the Russian armies from the east, the terms of reoccupation should have been discussed and agreed between them in advance. If the virtual exclusion of Britain and Russia from the first North African arrangements were to preface the exclusion of the United States and Russia from the reoccupation of the western fringe or of Britain and the United States from the eastern marches, or to herald quarrelling among

all three when the southern underside is pierced, then not only Gaul but all Europe, and the Grand Alliance itself, might end by being divided into three parts. If, on the other hand, agreement is reached, the concerted action of the occupying authorities, in such matters as immediate physical relief, medical attention, the control of transport, and the preliminary steps in industrial and agricultural revival could pave the way to the kind of international framework without which the national identity of the European peoples can hardly be maintained.

The first particular problem upon which the Allies must agree is their relations with collaborationists—not to give them the severer title of quisings. As the tide of victory turns, the opportunists will make desperate efforts to switch their "loyalty." There are arguments for making use of them. It is contended that, since a great many of them are in charge of the administrative machine, to oust them would mean complete collapse behind the lines at a time when the Allied armies are fully occupied. It is also argued that, after two years of German propaganda, the enslaved peoples have caught such a profound distrust of British, American and Soviet "imperialism" that, if the Allies institute martial law or take over civil government themselves, or bring in with them governors of the nation concerned, the people will suffer a profound reaction.

These arguments must be carefully considered. But are they really valid? North Africa is a rather special case, for there had been no complete German occupation and the Vichy regime functioned there in quasi-independence. Yet even in North Africa, the policy of using collaborationists has hardly proved its worth. To rely upon a bureaucracy which has submitted for two years to Nazi domination is to rely upon the weakest, and the most opportunist, section of the community. It is to perpetuate the influence of men, many of whom were responsible for the initial debacle. The maintenance of the German civil service by the democratic Weimar regime after the last war was similarly defended on the plea of avoiding a "dangerous collapse." The analogy bodes no good. By putting a premium on collaboration, the men of good will, who have kept up the good fight, are agonised and betrayed in what should be their finest hour. It is not impossible to know who are the men of good will. Hitler has helped by arresting them in herds. There is hardly a town or a village in Europe in which some past administrator has not paid the price of loyalty with imprisonment. The undergrounds exist. Contact has been established with many of them. It makes nonsense of their struggle to exclude them from influence in the day of liberation. It is true that they are unknown quantities. But the collaborationists are known quantities, known for their willingness to perpetuate the slavery of Europe. As for the argument of "imperialism," surely it underestimates the desire of Europe's ordinary men and women to be rid of Hitler's imperialism, to be fed and clothed, to be quit of forced labour and the Gestapo.

The chief reason for using an administrative machine dominated by collaborationists is the lack of any other method for maintaining some framework of order. This lack exists; but it exists only because the Allies have not included it among their preparations for war. Hitler did not once invade a country without the most minute arrangements for its civil administration. German soldiers, quisings, near-collaborationists—all were allotted in advance to their particular tasks. It has taken the Allies a long time to learn the lessons of Hitler's military warfare. The lessons of his political warfare are still largely unlearned. The occupation and administration of territory is a highly skilled operation. The Allies need an immediate and concerted effort to pick out and train from among themselves and the European peoples concerned the civil army of reoccupation.

The second principle on which agreement must be reached concerns the relations between the exiled Governments and the leaders, groups and ordinary people who have maintained the fight inside Europe. Here again, North Africa presents a special and more difficult version

of the problem raised by *émigré* governments. General de Gaulle's National Committee has not the legal continuity of some of the other Governments, and is not officially recognised as a Government. Yet the danger of stumbling into a situation in which each territory has a plurality of governments is completely illustrated by North Africa. One may remain in Britain, another may be set up by the invading general, which may or may not represent the genuine forces of liberation within the country concerned—in which case the undergrounds may establish one of their own. It might even be possible to reach a situation in which the three great Allies were each backing a rival government for the same area. A situation of this sort has been faintly foreshadowed in colonial France, and one would need to be a confirmed optimist to suppose that it could not be repeated in an aggravated form in, say, metropolitan France or Yugoslavia.

The only current solution is the establishment of a single exile authority for each state, and the recognition by that authority that it is provisional. General de Gaulle has given the formula in his proposal for a unified French authority,

a temporary . . . central power, founded on national union, inspired by the spirit of war and of liberation, with laws which are the laws of the Republic, to last until such time as the nation has made known her will.

No government in exile can now be fully representative of a nation that has undergone a Nazi occupation. They must return as governments, but as governments approaching the term of their mandate. It is a great thing to preserve continuity. It is possible that the peoples will turn to their exiled leaders as they turned to them after the last war. But they must be able to express their will.

The third principle on which agreement must be sought concerns this freedom of choice. It is admittedly the most difficult. It cannot on that account be most completely shelved. This war is a war of national liberation. It is also an ideological war. The Allies do not see eye to eye on ideology nor on social policy; but there are areas in which they do agree. These areas should be established and, as far as possible, the differences mitigated in advance. If there are certain social groups, forms and traditions in Europe which have played an outstanding part in the preparations for war and in collaboration during the war, it is desirable in the interests of lasting peace to remove their predominant influence. Various aspects of the structure of landed property in Germany and Hungary, for example, the concentration of European industrial ownership and strength in Germany, German economic penetration (which is discussed on page 47), are all fit subjects for agreement in advance of occupation and victory. Similarly, the guarantees covering the right "to make known her will"; the minimum terms necessary to ensure the freedom for which the Allies say they fight—the establishment of the rule of law, an end to arbitrary arrest, secret police, espionage, the concentration camp; the reality behind the guarantee of freedom of worship and of speech—are all questions which, however delicate, will not grow less delicate by being obstinately disregarded. They have arisen in North Africa, over the political record of Darlan, over the arbitrary arrests of Allied sympathisers, over the problem of the amnesty of prisoners. They will arise again, and though differences between the Allies are inevitable, they must be minimised by frank discussion.

In North Africa itself, the Allies have a new chance. General Giraud is uncompromised on the chief issue; he has had no truck with the enemy—and it seems possible that some agreement may be reached between the Fighting French National Committee and his Imperial Council. Mr Harold Macmillan has arrived in North Africa and now has the opportunity of influencing the decisions of General Eisenhower—and Mr. Murphy. But a real improvement cannot depend upon local conditions only. North Africa is not an isolated case. It can be patched up, perhaps, but so long as the policy it represents remains unchanged, there are other and far severer crises ahead.

The Third Colonial System

MORE and more, as reconstruction at home and abroad is discussed, does it become apparent that among men of good will there is a wide measure of agreement on objectives. It is on the ways and means of achieving them that dissension arises, on the programme for translating principles into practice. Colonial policy is in the same position. To the old declaration that each colony has the opportunity to become self-governing has recently been added the promise to raise the colonies' standard of living; but on how to realise both these aims there is far less agreement. There are, of course, certain basic principles that are generally agreed: that the colonial peoples should take an increasingly important share in the government and administration of their colonies; that far more attention should be paid to education, especially technical education; that colonies should not have to pay their own way; and that their economies should be more broadly based.

It is also true that, since the outbreak of war, progress has been made in applying these agreed principles. The "statement of policy on colonial development and welfare," presented to Parliament in February, 1940, recognised that

. . . many colonies cannot finance out of their own resources the research and survey work, the schemes of major capital enterprise, and the expansion of administrative or technical staffs which are necessary for their full and vigorous development,

and proposed that sums up to £5½ millions a year should be available from the Imperial Exchequer for these purposes and for welfare, specifically stating that colonies which received such help should not be subject to any system of financial control as is associated with grants-in-aid. Already before the war, colonial governments were urged to make their colonies as self-supporting as possible in food supplies; and since 1939 necessity has hastened and intensified the process. Nor has the political side been neglected. Last summer, two Africans were appointed to the Gold Coast Administrative Service, and, later, African members were appointed to the Governor's Executive Council in the Gold Coast and Nigeria. In the West Indies, constitutional reform has become a burning topic. It is foolish to deny that in the last two or three years there has been an almost revolutionary change in colonial policy.

Any denial, in fact, would probably come from the Colonial Office itself. In the recent House of Lords debate, Lord Cranborne stressed the evolutionary nature of the British Empire. Any reforms that have taken place in recent years he would regard merely as steps on a

straight and virtually unending path; and it would certainly be the gravest injustice to the long years of patient, and sometimes heartbreaking, efforts of colonial officials if the idea were fostered that it was only in February, 1940, that the need to raise colonial standards of living was realised. Nevertheless, the statement of policy that was then made was such a big step forward that it is impossible not to regard it as marking the clear emergence of a new colonial system—the age of development and welfare, superseding the age of self-support which itself followed the age of tribute. Colonial officials have been heartbroken because they have seen the most urgent schemes held up for lack of funds inside the colony itself. The wish to develop was there, but the means were lacking. Now, both should be available.

If, then, it is agreed that the relations between Great Britain and its colonial empire have entered a new and progressive era, it may be asked why there is such disquiet about colonial policy at home and abroad. The answer may partly be found in the impatience aroused when delay is always justified by reasons of history. More important is the fact that the fundamental questions have not even been faced. The colonies are now allowed to unbalance their budgets, and the deficit will be made up by the United Kingdom taxpayer. But it is still not certain that the Colonial Office sees it as an economic matter and not a financial one. Treasury-mindedness is still there, although the Treasury reins have been discarded. Financial assistance may be given, freely and ungrudgingly, but financial assistance alone will not increase their national income—and therefore their standard of living.

It is possibly with this in mind that the creation of a Colonial Development Board has been proposed in Parliament and the press in recent months. As outlined in the House of Commons last June, such a Board would consist of full-time members for economy and finance, health, education, housing, supply, power and transport; it would also be responsible for spending the moneys voted by Parliament for colonial development and welfare. Development from without could probably be easily imposed upon the colonies by a super public works department of this sort, administered regionally. But if development is to be considered from the standpoint of partnership, which has now officially replaced trusteeship as a definition of the relations between Britain and the colonies, a Colonial Development Board, as suggested, would be an aberration. It could only work on partnership lines if it were to rival the Colonial Office itself.

Unfortunately, to gain the co-operation of the colonies in development must take much time and add enormously

EQUITY & LAW

LIFE ASSURANCE SOCIETY

Established 1844

Wartime Service

● In view of the absence of staff on War duties it has become necessary as a temporary measure to close certain of the Society's Branch Offices

● Arrangements have been made to ensure that the Society's policy-holders and annuitants will receive the best possible wartime service.

Head Office: 163/4, STRAND, LONDON, W.C.2. Telephone: TEMple Bar 0381
(temporarily transferred from 20, Lincoln's Inn Fields)

to the difficulties. Professor Hancock tells* how the mixed farmers in North Nigeria have had to be given advances of about £9 per head to buy their oxen and ploughs, and so on. Interest has to be charged, if "certain failure" is to be avoided. But Mohammedan law forbids interest; consequently, after consultation between the British administrations and the emirs, a hire purchase scheme was evolved. The British Cotton Growing Association, he also points out, once tried hard to persuade the Tiv people south of the Benue to give up growing benniseed in favour of cotton. Obstinate, they refused—to their great advantage. He tells, too, how the prejudices of the Fulani had to be overcome before inoculation of their cattle against rinderpest could be undertaken. "In British West Africa," he says, "the progress of economic policy, even when it has seemed slow, has sometimes been as fast as the people could bear." No person, with the interests of the colonies really at heart, would have the pace quickened intolerably, but what becomes of "time-schedules" in circumstances such as these?

Similar stories could be told from all over Africa. They underline the difference between development and exploitation. If colonial policy always showed the same disinterestedness, little would be needed at the present time except to urge much more boldness and vision. But there are other stories as well. The reservation of land for Europeans in Kenya and Northern Rhodesia is one. The Ottawa duties, forced upon some colonial legislatures against their wishes, are another. The story of the quotas on Japanese rubber shoes and the prevalence of hook-worm has become a classic example of the subordination of trusteeship to vested interests in Great Britain.

Defenders of the Ottawa duties would point to the advantages which the colonies obtained by securing a preferential market for their own products in Great Britain. But this only points to another question which has not yet been answered—the problem of raw materials. When the Government enters into agreements for restricting commodities—or allows bodies of producers to do so—has it the interests of the colonies concerned at heart, or merely the interests of the companies operating in them? It may well be that colonial labourers will gain security of employment and steady wages from a restriction scheme which maintains prices. It may, on the other hand, be equally possible that restriction schemes, which aim at keeping high-cost producers alive, penalise the colonies by restricting the amount of labour that can be employed to a figure consonant with their production quota. What is wanted is that all factors and interests should be given their due weight.

There is also the question of the distribution of the

* *Survey of British Commonwealth Affairs. Volume II. Problems of Economic Policy 1918-39. Part II.* By W. K. Hancock. Oxford University Press. 355 pages. 16s. net. The book cannot be too warmly recommended for anyone interested in the intricacies of the colonial problem. From a wealth of detailed examples, broad trends are picked out and discussed fully and objectively.

financial gains derived from the natural wealth of the colonies. At present, Great Britain takes a disproportionately large share through taxation and through the dividends received by shareholders—not only of the company directly concerned, but sometimes of a non-operating company to which the former has to pay royalties. It should surely be possible either for the United Kingdom to waive all claims to taxation from companies operating in the colonies, and from their shareholders, or else—if this would be giving a bonus to the latter—simply to hand back to the colony all the money it receives.

It is quite certain, in fact, that this country cannot look upon investment in the colonies as a means of returning immediate and high dividends. Investment must rather be regarded in the Wallace sense, as a means of raising the colonies' standards of living, which will eventually make them expanding markets for the manufactures of Britain and other countries as well. This is the turn which the international side of the dual mandate has taken; it is no longer primarily a matter of developing the resources of the colonies for the benefit of the whole world—which, as interpreted, meant basing their whole economy on one or two export commodities—but of increasing productivity, which experience has shown is more likely to be achieved in secondary and tertiary, rather than primary, production. It has already been shown that social complications will make this a long and slow process in colonies with a primitive population. There are others where the population is ready, and even asking, for change.

There is, perhaps, a tendency among people who realise the new emphasis of the dual mandate to ignore its other aspect—that it is exercised on behalf of the colonies until they are able to govern themselves, with the implication that some day they will be. Possibly, this neglect of political trusteeship is due to the fact that full self-government for many of the colonies is remote, whereas their poverty and ignorance are very present. There is no reason, however, why in the new colonial system there should be no place for political progress. On the contrary, it is probable that this will be more easily achieved under a more diverse economy, with wider opportunities for employment and the exercise of individuality. It follows that the process will involve a considerable modification of indirect rule; on the other hand, the aim of indirect rule—that changes should not be imposed on primitive people, but should be absorbed by them—can also be preserved under industrialisation, if colonial governments take care that manufacturing industries are as far as possible owned and run by the people themselves. In West Africa, the British Government has set itself against the alienation of land to Europeans. It must set itself against the alienation of industry as well. It also follows that whenever and wherever even the smallest opportunity arises to promote, say, an African to an important post or to grant more self-government to a whole colony, it must be immediately and unhesitatingly taken.

The National Budget

THE necessity of fitting the Government's Budget into the wider National Budget, of relating Government expenditure to the National Income, found official recognition barely two years ago. The reason was that rule of thumb methods were no longer adequate to deal efficiently with the rising cost of the war. As a counter-part to the physical allocation of the national resources between Government and civilian requirements, it had become desirable to adopt a method of account, showing, in money terms, the size and distribution of the national income, and capable of being used as an instrument of control. By going one step further and adjusting the figures for alterations in prices, they provide a clue to changes in the "real" size, that is, in the volume of the national income and its expenditure under various headings. In short, the additional information about the

Nation's Budget now renders it possible to walk in daylight where it had previously been necessary to grope in the dark. It has brought the realisation that the nation's surplus or deficit, that is, the rate at which Great Britain adds to or draws upon its stock of capital assets by "investment" or "disinvestment," is more important than the surplus or deficit in the Government's Budget which, until recently, stirred emotions to fever heat.

The latest news of the Government's narrower budget is contained in the returns of revenue and expenditure for the nine months to December, 1942. They are of special interest in view of the further substantial increases budgeted for last April, though they are incomplete in that they do not include Lend-Lease supplies. The figures are summarised at the foot of the next page and given in full on page 57. On the revenue side, the ordinary returns show

a substantial increase over the previous year's corresponding figures, amounting to £545 millions, against £469 millions between April-December, 1940 and 1941. For a real comparison, however, it is necessary to deduct the contribution of the Canadian Government, which brings the increase down to £320 millions, £149 millions less than a year ago. Nevertheless, the increase in revenue during the first nine months of the current financial year has almost reached the estimated expansion for the whole year. Clearly, the Government has again underestimated the yield, and again under the heading of customs and excise receipts; the one already exceeds the estimate by £12.2 millions and the other by £33.6 millions. The increase in the duties on spirits, beer, tobacco and, possibly, on entertainments, as well as, presumably, the advance of the purchase tax on luxuries and conventional goods, from silks to jewellery, gramophones and perfumery do not appear to have had the expected deterrent effect on purchases. As computed, miscellaneous receipts, instead of showing a decline, have registered an increase. Motor vehicle duties, on the other hand, have fallen more than expected; perhaps the Treasury did not envisage the need for quite as severe a cut in supplies of petrol and tyres. On direct taxation little comment is required at this stage, except that E.P.T. has not come in as well as a year ago; the income tax collector reaps his biggest harvest in the last quarter of the financial year.

In a narrow sense, the underestimation of revenue has been fortunate, for the increase in ordinary expenditure during April-December, 1942, has exceeded the year's estimated increase by £40 millions. The two under-estimates are not necessarily inconsistent. The rise in wages, which has made for buoyancy in revenue, must also have been reflected in the prices of some of the things which the Government buys. The trend of the cost of the Supply Services remains decidedly upwards; it rose from £1,198 millions in April-June, 1942, to £1,229 millions in July-September and £1,364 millions in October-December, against £1,168 millions during the last quarter of 1941. Total Government expenditure since the beginning of the war is now up to £14,000 millions; three-sevenths of this total has been met by revenue and the remainder by borrowing. The proportion of expenditure covered by revenue has actually risen as expenditure has increased, from 36.5 per cent in the year 1940 to 38.3 per cent in 1941 and 42.4 per cent in the past year.

The more comprehensive national returns of income and expenditure in 1942, as distinct from the Government returns, are not yet available. Since they will presumably not be published before April, an attempt must be made to fill the gap by estimates, or, more truthfully, by a certain amount of reasonable guesswork. The adoption of America's practice of issuing quarterly returns would avoid this need. The results are believed to be sufficiently near the truth to be of assistance in an attempt to assess the wider implications of the effect of the war upon Britain's economy. The following table (the first three columns of figures are taken from the White Paper on the National Income and Expenditure, Cmd. 6347)

shows the national income at factor cost and at market prices, as well as national expenditure and the amount by which it fell below or exceeded the current income at market prices—

NATIONAL INCOME AND EXPENDITURE
(£ Millions)

	1938	1940	1941	1942(a)
Net National Income at Factor Cost	4,595	5,585	6,338	6,950
Indirect Taxes, Rates, etc.	645	920	1,242	1,420
National Income at Market Prices	5,240	6,505	7,580	8,370
Government Expenditure (b)	848	3,126	4,321	4,950
Consumption	4,041	4,424	4,550	4,690(c)
Total Expenditure	4,889	7,550	8,871	9,640

Investment and Disinvestment - 351 - 1,045 - 1,291 - 1,270

(a) Estimated. (b) Omitting debt interest, old-age pensions and similar transfer payments. (c) Obtained by subtraction.

The national income at factor cost has shown a further substantial increase, though the rise appears to have been somewhat less marked than in 1941. Moreover, the outlay for consumption at market prices, too, has shown a further increase, in spite of the growth in Government expenditure. Net disinvestment was probably slightly smaller than in 1941, but still large—though it must be remembered that, in so far as Government expenditure is concerned, some of the assets created may not have lost their economic value after the war.

Since the estimates of the national income and expenditure are based on current prices, they do not show changes in "real" or volume terms. There can be little doubt, however, that, as in earlier years, the figures for 1942 are inflated by a rise in prices. The estimated increase in the national income at factor cost (that is, exclusive of indirect taxes, rates, etc.) amounts to some ten per cent. It would be surprising, however, if the "real" national income had risen by even half as much. The number of workers insured against unemployment showed only a slight rise during the past year, though, as the results of the Ministry of Labour's latest inquiry into earnings reveals, actual earnings have increased by more than wage rates, partly a reflection of an increase in the output of piece-workers, who now form a substantial proportion of the total.

The main question which will have to be answered by the Chancellor of the Exchequer next April is how the still growing cost of the war is to be met, that is, to what extent it is still possible to draw on the stock of assets at home and abroad and to cut down civilian consumption. Since both expedients have already been applied almost to the limit, care will be needed to avoid either injuring the people's health or allowing essential plant and buildings to fall into disrepair. Pushed beyond the limit the reduction in consumption, and disinvestment at home, might have the effect of reducing rather than of increasing production. Another problem is that of inflation. It will be interesting to see by what measures Sir Kingsley Wood proposes to curb the upward trend.

REVENUE (£ Millions)

	Year's Receipts			Nine Months' Receipts		
	Actual 1941-42	Estimated 1942-43	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1941	To Dec. 31, 1942	Inc. (+) or Dec. (-)
Income Tax	769.7	913.0	+ 143.3	326.9	407.5	+ 80.6
Surtax	74.9	78.0	+ 3.1	23.7	21.2	- 2.5
Estate, etc., Duties	90.9	90.0	- 0.9	65.7	68.9	+ 3.2
Stamps	14.1	15.0	+ 0.9	9.9	10.5	+ 0.6
Nat. Defence Contr.	21.9	425.0	+ 155.9	15.3	253.0	+ 73.4
Excess Profits Tax	247.2	366.7	+ 119.5	179.6	343.4	+ 72.1
Customs	378.4	438.3	+ 59.9	271.3	317.1	+ 74.7
Excise	325.6	366.7	+ 41.1	242.4	284.5	+ 65.3
Motor Duties	38.4	34.0	- 4.4	12.8	3.1	- 9.7
Wireless Licences*	4.3	4.3	0.0	0.3	0.3	0.0
Other Inland Revenue	0.9	1.0	+ 0.1	0.3	0.3	0.0
Total Tax Revenue	1,962.0	2,365.3	+ 403.3	1,147.9	1,452.0	+ 304.1
Canadian Govt. Contr.	112.1	225.0	+ 112.9	73.7	224.7	+ 151.0
Other Non-Tax Rev.	36.8	36.8	0.0	75.3	89.9	+ 14.6
Total Ord. Revenue	2,074.1	2,627.1	+ 553.0	1,221.6	1,766.6	+ 545.0

* From April 1, 1942, the broadcasting vote has been included in ordinary expenditure and wireless licences in ordinary revenue instead of in self-balancing revenue and expenditure.

EXPENDITURE (£ Millions)

	Year's Issues			Nine Months' Issues		
	Actual 1941-42	Estimated 1942-43	Estimated Inc. (+) or Dec. (-)	To Dec. 31, 1941	To Dec. 31, 1942	Inc. (+) or Dec. (-)
Interest and Management of Nat. Debt	257.2	325.0	+ 67.8	221.8	254.3	+ 32.5
Payments to N. Ireland Exchequer	9.1	9.5	+ 0.4	5.6	5.6	0.0
Other Consolidated Fund Services	7.7	7.8	+ 0.1	4.8	4.5	- 0.3
Supply Services	4,501.6	4,953.2	+ 451.6	3,263.6	3,791.1	+ 527.5
Total Ord. Expend.	4,775.7	5,295.5	+ 519.8	3,495.8	4,055.5	+ 559.7
Self-Balancing Rev. and Expenditure	100.6	102.5	+ 1.9	76.9	79.4	+ 2.5

NOTES OF THE WEEK

The Russian Advance

The past week's fighting has brought the Russians substantial successes on three sectors. In the north, Velikiye Luki has been captured. This is the first big "hedgehog" to be wrested from the enemy during the present campaign. Velikiye Luki is a medium-sized town—it had about 90,000 inhabitants before the war—and in all Russia's wars it has been an important key position. A Russian advance in this sector would imperil the enemy's supply lines in the north and outflank the German forces on the Smolensk-Viazma road to the south; but, unless supported by a corresponding advance from the Rzhev area, it may expose the Russians themselves to the dangers which threaten any thin wedge driven too far into an enemy's rear. On the Don, the advance along the Voronezh-Rostov railway seems to have been halted. Millerovo, the important railway junction on the way to Rostov, has so far withstood the Russian attacks. Instead, a new advance has been made from the north-east, along the Stalingrad-Rostov line. Further to the south, the slopes of the Urgeni hills have been cleared of the enemy. The alternative thrusts from the north and east have brought the danger to Rostov much nearer; and it seems likely that this winter will see another battle of Rostov, the fourth one in the course of the war. The most puzzling feature of the campaign here is the position of the encircled German forces in Stalingrad. The fact that they have been able to hold out till now illustrates how obsolete the traditional notions of investment and siege have become. In the Caucasus, the Russians have successfully cut the southern tip of the huge German "bag." The capture of Mozdok and Nalchik has been followed up by a pursuit which may throw the Germans back to the Kuma-Kuban line. The week's "sensation" was the announcement that the southern Russian armies have been fighting under the command of General Zhukov, and not, as was generally assumed, under that of Marshal Timoshenko. The latter, it is suggested, was superseded after the fall of Rostov, the town which he had recaptured from the Germans towards the end of 1941. Thus, the last of the three Marshals who were in command of the Russian armies in 1941—Voroshilov, Budyonny, Timoshenko—has passed from the centre of the stage.

Two Months in Tunisia

Two months have elapsed since the first Allied landings were made in North Africa. The campaign in Tunisia has advanced little from the point which it reached after the first week's fighting. The occupation of Algeria was to all intents and purposes completed with the surrender of Bone on November 12th, the fourth day of the campaign. It seemed that Allied troops were in a position to move into Tunisia without any further delay. The distance between Bone and Bizerta is about 120 miles, a distance which armoured forces, meeting no important resistance on their way, might have travelled in one or two days. Instead of a rapid advance, however, the communiqués reveal a lull between November 12th and 16th. On November 15th, a detachment of British parachutists descended on Tunisian soil, and air-reconnoitring revealed intensive military traffic from Italy, Sardinia and Sicily to Tunisia. The first operations of the First Army in Tunisia were reported on November 16th, four days after the occupation of Bone. During those four days, the enemy, already close at hand to the prize, succeeded in establishing his foothold in both Tunis and Bizerta. The prospect of capturing the Tunisian "tip" without actual fighting vanished. The "race for Tunis" was lost before it began. Allied tactics now switched over to encircling movements. A further four days elapsed before the first clash between the First Army and enemy forces took place some 30 miles to the west of Tunis. On both sides, infantry seems to have been engaged in the first encounters; armoured units and aircraft had hardly appeared on the battlefield. The British infantry obtained a degree of superiority which allowed it to move forward slowly; and during the last ten days of November it advanced to a point only

14 miles to the west of Tunis and captured Djedeida on the Tunis-Bizerta railway.

The enemy was in the meantime pushing in reinforcements to his Tunisian bridgeheads. In spite of very effective interference by Allied submarines and aircraft, he succeeded in ferrying over troops at the rate of perhaps a thousand or so a day. More important, at least six large airfields around Bizerta and Tunis were now at his disposal, while General Anderson's army possessed no bases for short-range fighters. Both sides were building up their strength; and the Germans seem to have obtained an advantage. On December 4th and 5th, they launched an attack on Tebourba and Djedeida. For the first time in the Tunisian campaign, a Panzer division made its appearance. American tanks were quick to follow, but only to follow and not to lead. In the air, too, the German attack obtained some superiority. On December 7th, Tebourba was captured by the enemy; and so was Djedeida. The fighting shifted to the range of hills west of Djedeida and Tebourba and to the railway junction Medjez-el-Bab further to the south. Two German attacks on Medjez-el-Bab on December 6th and 10th failed. Since December 10th, for nearly a month, there has been a lull, with only minor patrol activities. Both sides are again busy building up their reserves, and interfering with one another's supply lines. The lull may soon come to an end; but it is plain now that many more troops and much material may be needed to oust the enemy's seasoned and skilful garrison.

The Test of Battle

The North African campaign has, on the whole, seen the overcoming of the old shortages, inertia and lack of military co-ordination among the Allies. In Tunisia, however, there may perhaps have been some relapse into old failings. There was probably insufficient mobility during the crucial days after the occupation of Bone. It may be argued, too, that there was some tactical light-mindedness in the push to Djedeida before sufficient air and armour protection was secured. Some experts would add the disregard of anti-aircraft weapons to the list of errors. All the factors in the situation, even on the Allied side, are not known; and, mistakes or no mistakes, there is no ground for excessive gloom, if old lessons from past mistakes are remembered and applied quickly enough. The Allied Command in North Africa has still, in many respects, a tremendous advantage over the enemy. It possesses enormous elbow room for deployment and freedom to concentrate its forces at the decisive points. On the other hand, it is true that the Allies are handicapped by their vast land and sea lines of communication, across dangerous waters, and by the fact that a great part of the Allied troops are only now receiving their baptism of fire, against the enemy's most experienced fighting men. On balance, the advantages of General Eisenhower's position outweigh the disadvantages. What gives rise to uneasiness is the possibility that the broad and crucial plan of operations for 1943 may be delayed and even disrupted by further protracted delays in the Tunisian fighting. This is the enemy's hope and intention. General Eisenhower can shatter that hope; but if it is to be done, it were well it were done quickly.

Facts and Efficiency

The first task in war production is to make the right programmes. The second is to see that they are carried out to time. Too often in the past, the programmes made have had only small relation to the size and kind of output achieved. Persistently, an essential link in organisation has been lacking; and it was only last week, with the appointment of Sir Percy Mills to be adviser on the progress of production to Mr Lyttelton, that the need for a continuous

and authoritative surveillance of the execution of programmes was explicitly recognised. When Mr Lyttelton was made Minister of Production, going on for a year ago, he had two main jobs to do, apart from the task of co-ordinating the British and American effort. The first was to weld the programmes of the Supply Departments into a single whole, based upon the nation's available resources and directed precisely towards current military requirements; and the second was to impose upon war industry at every point the highest possible standards of efficiency in management and technique. For both duties, the need to know, from day to day and from week to week, what is going on is imperative; it is only a pity that it has taken nearly a year for the importance of "progressing" to be proclaimed. Sir Percy Mills will be in charge of a progressing Department in Mr Lyttelton's Ministry, which will keep a constant eye on the progress of all supply programmes. The simultaneous appointment of Sir Charles Craven to be industrial adviser reflects the need for greater efficiency in production matters. So far, the appointments are wholly to be welcomed. Whether the men and the methods chosen are the best possible is, perhaps, more open to debate. Apparently, procedure is still to be by committee. Sir Charles Craven will preside at meetings of the executive chiefs of the Supply Departments, and Sir Percy Mills will be called in to advise on interdepartmental production problems. Sir Charles Craven will also be chairman of interdepartmental committees on munition management and labour efficiency, where ideas and information will be exchanged. Sir Percy Mills will be available for these committees too; and, in addition, will remain in charge of the allocation of machine tools "as administered by" the Minister of Production. These new advisers are not after all to be the watchdogs that are wanted, with rights of search and power to act. The official description of their functions as to secure closer inter-departmental "co-ordination" is tepid but true. Moreover, it is explicitly stated that their work will "in no way derogate from the responsibility of the Supply Ministers." Again, it seems the right idea may have been muffled by departmental compromise. The root of the matter is that Mr Lyttelton is not Minister of Production in the full sense of the word. He is hardly even *primus inter pares*, which means that the single central direction of war output, for which a Minister of Production was demanded, is still only partially present.

Lords of Empire

The gap at the Colonial Office has been filled. The Duke of Devonshire becomes Parliamentary Under-Secretary; and his place as Parliamentary Secretary at the India Office is taken by the Earl of Munster. It should be noticed that the Duke has good qualifications for his new post. He was for four years up to May, 1940, Under-Secretary at the Dominions Office; since then, he has been concerned for over two-and-a-half years with India. He is, at least, familiar with the problems of Empire. Nevertheless, the appointment of two peers to fill these imperial posts, placing the Colonies under a Cavendish as well as a Stanley, will evoke some tart comment, at least from across the Atlantic, where the jibe that the British Empire is the preserve of an "effete aristocracy" has been shouted so often that it has now come to be believed. The immediate reason, of course, why these two Under-Secretaryships have been given to peers is the need for a due proportion of Ministerial spokesmen in the Upper House. Moreover, as Lord Toller—*or* was it Lord Mountbatten?—pleaded in "Iolanthe," a peer should not be penalised for the accident of his birth. The Duke is 36; the Earl is only 36. It is abundantly right that youth and merit should be recognised when they occur together. *The Economist* has been criticised for describing Mr Sandys last week as a "fortunate man in being singled out again for office. But the purpose of this comment was not so much to throw doubts on Mr Sandys' abilities, which in the opinion of *ie* are high, as to underline that a young politician is particularly lucky when, for one reason or another, he is singled out and his merits recognised; and the same considerations may well apply to the Duke and the Earl. But it may still be expressed about these appointments to the particular posts at this particular point of time—and tactical discussion. And there are other men—including her peer in the person of Lord Hailey—who would be

regarded by most people as better qualified still to take official responsibility at this crucial stage in Imperial policy.

The Pacific Front

The Inter-State Labour Conference has approved, by 24 votes to 12, Mr Curtin's proposal to send the Australian militia to fight in any territory in the south-west Pacific. The south-west Pacific will be defined for this purpose by the Australian Cabinet; it will not necessarily coincide with the Pacific War Council's definition of the south-west Pacific command. But the decision will presumably mean that, when the necessary legislation has been passed, the militia and the Australian Imperial Force will now be considered as one force for operations in Dutch New Guinea, Timor, the Solomon Islands, Netherlands India and New Zealand. The Conference's decision will strengthen Mr Curtin's position both in his own country and among the other leaders of the United Nations. If his party had refused to support him, he would almost certainly have been compelled to resign. And now that the restriction on sending conscripts out of Australia has been relaxed, Mr Curtin is in a stronger position to press his country's claims in the general strategy of the war. This, in fact, he has already done. On December 31st, he is reported to have said that

Japan must be smashed before she gains overwhelming strength to preserve her conquests. She is building up, not only her capacity to wage war, but also her capacity to resist an offensive.

Australia's feelings in this respect are understandable. In this country, it is difficult not to take it for granted that all efforts must be concentrated on defeating Germany and that the war in the Pacific and China can look after itself. Since, moreover, Allied strategy has already and for some time decided, in the circumstances with unchallengeable wisdom, on "Germany First," Mr Curtin's plea can have no radical effect. But it is as well that the people of this country should realise the cost of this decision. It means that, after the defeat of Germany has been achieved, British ships and British fighting men will still be needed in very great numbers for the defeat of Japan, whose position, as Mr Curtin points out, may then be stronger than it was or is. And it should be realised, too, that there must be no resources and no armies wasted. They must be employed in fighting either Germany or Japan—now. The idea, say, of building up large forces in the United States for use at some future date must be scotched, once and for all.

Diplomatic Exchange

The note which the Foreign Office despatched to the Argentine Government on December 31st drew attention to a serious misunderstanding. For some time past, interested parties have been conscientiously spreading the tale that Argentine neutrality was benevolently viewed in London—that British circles recognised special circum-



stances which justified the failure of the Argentine Government to implement the findings of the Rio Conference. The publication of an article from the *South American Journal*, which lent a little unofficial colour to this view, in the *Information Bulletin* of the Argentine Foreign Office clearly required official rebuttal. No belligerent country can, if it believes in its cause, be in sympathy with a policy of neutrality. Clearly, there are many shades of neutrality. Adopted under duress, it may be the nearest practical approach to opposition to the Axis. The neutrality of Argentina is, however, distinguished by the fact that it is sustained in opposition to majority opinion in Latin America. It is not in any sense the product of overwhelming military pressure. The Government of President Castillo, reigning in a state of siege, does not reflect majority opinion within the country itself. This is reinforced by the recent suppression of two papers guilty of criticising the regime for failing to prevent Nazi espionage and infiltration. An attempt to defend such neutrality by covert claims to British support—which, it was suggested, was forthcoming despite the stricter attitude made known from Washington—was a transparent device. But it demanded repudiation.

Legitimate Government?

The statement and memorandum on Axis looting issued by the British Government in conjunction with sixteen other Allied Governments and the French National Committee—which is discussed in an article on page 47—is a good example of timely agreement upon the policies which will have to be jointly carried through after the war. But it raises one serious question of principle. The memorandum contains the sentence:

In so far as transfers or dealings are confined to the territory of a particular country, the procedure of examination and the decision reached regarding their invalidation will fall to be undertaken by the legitimate government of the country concerned on its return. [Our italics.]

Thus the United Nations commit themselves to the view that the present Governments in exile are fully representative of the peoples they govern. The memorandum goes on to say that:

The parties are agreed so far as possible to follow in this matter similar lines of policy, without derogation to their national sovereignty and having regard to the differences prevailing in the various countries.

The Governments are thus to return to full, immediate and untrammelled sovereignty. Frankly, this will not do. It is no derogation from the worth and capacity of the present Ministers of the various Allied Governments to say that they cannot be fully representative, and must, therefore, as is suggested in an article on page 33, regard their terms of office as provisional and dependent upon "the consent of the governed," whose views may have changed considerably in the years of occupation. And for any post-war Government, the pretensions to unlimited sovereignty implicit in this memorandum are surely exaggerated. Either the nations are going to collaborate upon certain agreed principles, or the chaos of the inter-war years will come again. National sovereignty in the traditional sense is the chief enemy of independent nationhood. Hitler has proved this. It would be tragic indeed if in the very act of undoing Hitler's grand larceny, the nations were to adopt policies and methods which ensured the rise of another Hitler at the appointed time.

A Historian Looks Ahead

Professor J. H. Clapham, who was knighted at the New Year, is the biographer of Industrial Britain; and it is not often that he permits his gaze to look into the future, where there are no documents or statistics to be collated and interpreted. Nevertheless, when he does so, as in last year's Sydney Ball lecture, which has now been reprinted as a Barnett House paper (Oxford University Press, 1s.), what he has to say has all the weight of his massive acquaintance with the recent industrial past. First and foremost among the problems of the future he picks out population. To the losses of war he adds the Western Europeans who will never be "born because of to-day's insecurity and devastation. He sees a future of declining peoples in Britain and Western Europe and perhaps elsewhere; and, as an economist who knows that fewer hands

will count more than fewer mouths in determining wealth and welfare, he is pained and alarmed. Professor Clapham has often been accused by his "cultural" colleagues of an over-emphasis on material factors in history; but of the problem of population, he says, "it is two-thirds spiritual," and he sponsors none of the crude material remedies which are so popular. About the material future, Professor Clapham is a hopeful sceptic.

The mere destruction can soon be put right, and the putting of it right will give plenty of wholesome essential employment. . . . There are ways of dealing with the burden of debts which may prove inconvenient to income-tax payers and those of us who are blessed with a little property, but need not weaken the production-power of the nation. . . . Happily, it is not possible to throw the burden of war on to posterity in the literal sense; for posterity cannot make the planes that are shot down or the ammunition that is blown off.

But the future will not be easy: "Destructive world-wide wars do not lead naturally to *pays de cockayne*." "The plans of the past and most future economic planners may suffer shipwreck."

Planning and People

The obstacle to planning, as Professor Clapham sees it, is men and women. Full employment, he argues, calls for full mobility from job to job, not the mobility of the old free labour market, but the mobility of the worker under orders. Moreover, he hardly believes it likely that, if full employment is consciously sought either by governments or self-governing industrial guilds, it will ever be genuinely found. If there is to be economic progress, he argues, there must be industrial change and decay. Jobs must disappear, and

the state or the cotton corporation, or whatever the controlling party might be, would be slow to dispense with workers if the industry showed signs of contraction.

These doubts, at any rate, pose the fundamental problems of economic planning. Professor Clapham's reminder that the "beautiful economist's scheme of demobilisation" devised at the end of the last war broke down against

the absolute fighting conviction of the British civilian turned soldier that the men who had served longest, whether locomotive driver or golf professional, ought to get home first is very relevant now. Yet, all in all, the Professor's scepticism is not really a denial of the urgent need to seek full employment after the war by deliberate means. As he admits, it is a matter of definition. The planning of investment on a scale large enough and regular enough to maintain resources in productive use is intended to cure only one kind of unemployment—"cyclical" unemployment. The unemployment which Professor Clapham, as a historian, has most in mind is "frictional." It is the wear and tear of economic change; and the statement of his fear that attempts to eliminate this wear and tear might stultify change itself is salutary.

A Quarter's Babies

The Registrar-General's return for the three months ended September 30, 1942, shows that 86,893 boys and 81,745 girls were born, representing a birth-rate of 16.1 per 1,000 of the population. It is a pity that the Ministry of Health felt it necessary to put out these figures with the headline that it is the highest birth-rate for twelve years. Such a statement tends to make people believe that the population decline has been arrested, whereas, of course, it means nothing of the sort. The number of babies born will naturally fluctuate from quarter to quarter; the fact that a great many were born in the third quarter of 1942 may be nothing more than a by-product of the National Service (No. 2) Act of 1941 and the intensified call-up of women—without children. In the nation's grave population problem, as Professor Clapham has just reiterated, it is not the first or second, but the third, fourth and fifth children that decide; the question is whether there is any sign of "larger families in the sense that matters," and this bump-up in births, which is only tiny in relation to the need if decline is to be arrested, gives no answer either way. Moreover, the crucial figure in population statistics is the net reproduction rate—the extent to which women of child-bearing age are replacing themselves. No light is thrown on this by the publication of the crude birth-rate. There is more justification for the Ministry of Health's

pride that the stillbirth rate—3.1 per cent of total births—is the lowest yet recorded. Quite apart from any other consideration, babies are in such short supply that wastage must be avoided as far as possible, and though the infant death-rate, at 40 per 1,000 live births, was down to the low record reached in 1939, it is regrettable that the absolute number was still as many as 6,766. Nor is it reassuring for the future birth-rate that the number of marriages in the third quarter of last year was only 95,713—8,620 fewer than in the corresponding quarter of 1941 and 31,937 below the average for the same period of the previous five years. The marriage-rate, 18.3 persons married per 1,000 of the population, was lower than that of any third quarter since 1926.

Design for Living

Only utility furniture has been manufactured since November 1st, and at last a scheme for distributing it is in operation. It can only be bought by permit, and permits will only be issued to persons setting up a home on marriage—this will normally mean persons married since January 1, 1941—or in anticipation of the birth of a child and to persons who have lost their homes through air-raids. A couple will be granted a maximum of 60 units, and a deduction will be made from this total in respect of any furniture they already have. The number of units to be surrendered for each piece of furniture is given on page 58; it will be seen that sixty will only provide what many people will hardly consider a bare minimum. Extra units may, however, be given to a bombed-out family where there are children, and the nursery furniture can be obtained without a permit. The most interesting thing about the new scheme is that it is the first example of what *The Economist* on December 12th (page 722) called providing a Physical Minimum. Utility clothing has been on the market for some time, but it does not have to conform to a special design, so long as the restrictions on design are complied with. Moreover, there is no needs test before it can be purchased. In the case of furniture, private manufacturers have been asked by the state to produce a necessary article of consumption to a design laid down by the state after consultation with a representative advisory committee. Costs, therefore, as well as prices can be strictly controlled. Distribution is left to the ordinary retailer, although, in order to save transport, the Assistance Board, in granting the permit, will determine the area in which the holder can buy. But it need not all be bought in one shop, and hire-purchase terms will be permitted; in fact, the only unnecessary restriction on actual purchases is the fixing of the period in which the units are valid to a maximum of three months. It is difficult to see why there should be any limit, and, in view of the prices for the furniture, many people will not be able to find the necessary money in three months, even if ample and regular supplies can be guaranteed—which is not certain.

Backs to the Wall

It is not the intention of messages and orders of the day at New Year to give an appreciation of strategy. In every country their object is simply to inspire and hold out hope. For this reason, the messages of Goebbels, Hitler, Goering and Himmler last week should not be regarded as war commentaries. Nevertheless, even as clarion calls, they were significant. Goebbels, the chief propagandist, in his broadcast on New Year's Eve, gave a summary of the articles he has recently published in *Das Reich*. *Das Reich* has a readership of intellectuals, without much in common with the ordinary man and woman in Germany; and Goebbels' broadcast, couched in the same style as his highbrow writings, must have sounded somewhat odd to most of his listeners. The historians, poets and philosophers that Goebbels loves to quote are mere names to the man in the street. It is true that, in his broadcast, Goebbels used this style and these references to get across the need for the German people to endure more hardships: but it is doubtful whether, say, the confused poems and obscure philosophy of Nietzsche are an appropriate vehicle of inspiration and hope for the common man. The reason why Goebbels has set aside his old ability to speak simply and directly about the problems of the hour is, of course, that, in these days, he is not over-anxious to approach the problems which face Germany straightforwardly. Hitler, on the other hand, was straightforward and direct at the

New Year. Both in his message and his order of the day, he listed the military successes of last summer, promised more and better weapons for the troops, and declared with great emphasis that there can be no compromise in this war. This last point is really the key to all these New Year outpourings. The Nazi leaders are actually holding out to the German people, not hope, but the threat that, if the Allies win, Germany and the Germans will be exterminated. They speak of the hardships that the Germans have already come through and of further hardships to come; but they shout that there is no alternative—and, in so doing, they admit the gathering shadows of defeat.

German Diplomacy

It is a matter of routine in Germany that changes are made in the diplomatic service on New Year's Day. This was emphasised last week when it was announced that new diplomatic representatives had been appointed at Tokyo, Madrid, and Stockholm; and it is, admittedly, one reason why too much should not be read into these changes. On the other hand, they obviously have considerable significance in themselves—though what precisely that significance is can only be a matter of speculation. General Ott leaves Tokyo and is replaced by Stahmer, who was at Nanking. It is easy to speculate on the basis that General Ott failed to induce the Japanese to attack Siberia; and it is interesting that a soldier has been replaced in Tokyo by an expert on Far Eastern economics. In Madrid, Molke, who is reputed to be a gifted diplomat, takes the post of Stohrer. Again, it is conceivable that Stohrer is a scapegoat. If Germany really wished to bring Spain into the war before this, then Stohrer has failed, just as he has failed if Germany was actually opposed to the agreement between Spain and Portugal. It remains to be seen what Molke will be able to do in these directions. Stockholm is regarded by the Germans as the most important outpost of Allied propaganda against the Germans. There have recently been clashes between Germany and Sweden on this question; and it may be argued that Prince zu Wied, a professional diplomat, has been taken away because he could no longer cope with this situation. His successor, one Thomson, formerly chargé d'affaires in Washington, was regarded as an expert in American affairs. When he came back to Germany he forecast that the figures of the American war effort were a huge bluff and that lack of organisation and political unity would prevent the use of American productive capacity for war. This does not seem to be a good beginning, from the German point of view, for his work in Stockholm, though it may be that the Nazis think that Stockholm is also the most suitable outpost for German propaganda against the United States. In all these speculations, though, it should be remembered, that these are the Ambassadors of a totalitarian power at war. Their previous personal history and convictions have little or nothing to do with the work they have been sent to perform. The important question is what Hitler has sent them out to do. Is it perhaps, however remotely, to pave the way for the compromise which Hitler has told his own people is impossible?

Trade Unionists

The total membership of trade unions in Great Britain and Northern Ireland at the end of 1941 has been given by the Chief Registrar of Friendly Societies as 7,090,000, which represents an increase of 548,000 compared with the end of 1940 and 860,000 compared with the end of 1939. Membership increased steadily during the past year, and

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

200 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38, Threadneedle Street, E.C.2.
West End Branch: 198, Piccadilly, W.1.

may soon exceed the peak figure of over eight millions, which was reached in 1920. The chief reason for the growth in trade union membership is the increase in the number of persons employed. The trade unions always gain in strength in times of rising employment, and their membership increased rapidly during the last war from just under four million in 1914 to six and a half million in 1918. The increases have been greatest, as one would expect, in the large unions, such as the Amalgamated Engineering Union and the General Workers' Unions, whose ranks have been swollen by the large-scale entry of women into industry. Although the total number of unions has actually slightly diminished in the past few years, there is still an immense diversity of shapes and sizes. In 1941, 661 unions (or over two-thirds of the total number of unions) had a membership of under 1,000 each, while fourteen large unions, comprising 100,000 or more members, represented only 1.4 per cent of the total number of unions, but accounted for over half of the total membership. It is small wonder that there should be a growing demand in the Labour movement for a greater degree of rationalisation and modernisation of trade union organisation. At the 1942 meeting of the Trades Union Congress a resolution moved by the National Union of Railwaymen called upon the General Council to examine the structure of its affiliated unions "in order to determine where competition and overlapping exist, where such structure is uneconomic and where policy is diverse within an industry." Sir Walter Citrine opposed the resolution, which was defeated by a not very large majority, on the ground that it would interfere with the autonomy of individual unions. The shelving of the resolution did not solve the problem, which is bound to become more acute both during and after the war. An example of diversity of policy within an industry has recently been presented by the railway workers themselves. If the National Union of Railwaymen, the Railway Clerks' Association and the Amalgamated Society of Locomotive Engineers and Firemen had acted in concert instead of separately over their wage claims, the threat of strike action by the engineers would probably never have assumed such dangerous proportions.

Priorities for China

With the start of the New Year, Marshal Chiang Kai-shek has announced measures for improving the quality of the army and for controlling the price level. Conscription by lot is to be extended to various classes of students, to members of the professional classes and to landowners, who are to be trained as a corps d'élite. In the economic field, the upward trend of prices is to be curbed by the

fixing of ceilings for wages, transport charges, rice, wheat, cotton cloth and numerous other goods. These two lines of policy have received considerable attention in the Chinese press, which has emphasised the dual need for fresh military endeavour and improved economic conditions. But such a policy remains dependent on the arrival of Allied supplies. The Chinese realise that the recapture of Akyab on the Burmese coast would be an extension of the defence of India rather than the opening move in an attempt to clear the approach to the Burma Road. And in the Yunnan Province, the Japanese are themselves extending the defence of Burma by attempting to press back the Chinese. Whether or not it is possible or desirable, in view of the urgent campaigns being fought out in the Mediterranean, to reconquer Burma and to reopen the back-door to Free China before the monsoon returns in the late summer, the Chinese will continue to need more aircraft and more artillery. If Burma is not retaken, supplies by air must be substantially increased. Despite recent Japanese reverses in other theatres of the Pacific, relatively few troops have been withdrawn from China, which by purely guerrilla methods is still holding off an enemy equipped with modern weapons. If the balance is to be held in China, equipment must be provided, just as to reconquer Burma equipment—specialised equipment of the kind the Chinese need—must be provided. It is a question of available supplies and priorities; and no doubt the case was fully argued in the light of all competing claims by the Chinese Military Mission which has now left Washington for London en route for Chungking.

Shorter Notes

In a Note called "No Sales," on page 9 of *The Economist*, last week, it was stated that the Board of Trade had requested the shops to refrain from holding sales this year. It is now learned that the initiative came from the retail trade itself, and no request was made by the Board. *The Economist* is gratified to learn that the trade now recognises the interests of the nation in this matter—which, incidentally, coincide with its own.

Temporary officers, both men and women, in the armed forces have been brought within the unemployment insurance scheme. All of them, whether insured in civil life or not, will be credited with a free contribution for each week of service, and on demobilisation—after thirty weeks of service—will be eligible for unemployment benefit.

AMERICAN SURVEY

Political Prospects

The ability of the Administration to concentrate on the direction of the war is likely to be seriously decreased if present political prospects materialise. It seems fairly certain now that the President will have to fight for everything he wants; and that, when he takes independent action, it will run the risk of hostile Congressional investigations.

This is particularly true of domestic matters; but in January two subjects of international concern will have to face the barrage. One is Lend-Lease, which expires unless Congress votes for its continuance and provides the necessary cash. Senator Wheeler has announced his intention of demanding a full-dress investigation of Lend-Lease transactions, and no opportunity will be lost to arouse distrust and dislike of what it stands for in the name of "Americanism versus Internationalism." The other storm centre is the Act giving the Executive the right to conclude reciprocal trade treaties. Both affect the power of the Executive to plan for the post-war period.

Behind these lies a host of complex domestic problems, which will be much more difficult to solve when the new, illiberal elements in Congress get their fingers in the pie. One is labour, no pressing problem in itself, but destined to become one if the Smith Bill and various other

anti-labour enactments are revived. It appears inevitable that there will be an attack on the Wages and Hours Act, with the avowed intention of increasing the working week, but with the practical result of decreasing overtime pay; and the closed shop and maintenance of membership clauses in trade union contracts will come under fire. The elimination of Mr Henderson is only the first taste of blood in the campaign against effective price control by various interested sections. The farm bloc is said to be at work again, and small business is convinced that the regulations affect it unfairly.

The much greater numbers of Conservatives in the new Congress are out to "get" other Government agencies and personalities. The Board of Economic Warfare is, if possible, to be stripped of its powers to the profit of the Reconstruction Finance Corporation; and Mr Hopkins is said to be on the list of those who would not be missed. In fact, the phrases "get Roosevelt," "get Henderson," "get Wallace" are heard too often for the onlooker to have much faith that the new Congress will devote itself, with entirely unselfish devotion, to the job of getting on with the war.

The elections might have gone differently if Mr Roosevelt had been able to spare time from plans for Africa for plans for November. Now he will be forced to divide his time between the war and the home front. So far there have been some indications of appeasement at home; but

it is prophesied that a bold counter-offensive in the field of social security is in the making. It is the kind of tactic at which the President has often been brilliantly successful, but the odds—in Congress at least—are more heavily weighted against him this time. The Irreconcilables have their eyes on 1944, and a radical domestic programme may even be welcomed as the springboard for an attack on all remaining aspects of the New Deal. The President's main hope must be to draw his strength from popular support and its pressure on Congress, which may be too delayed to be effective.

The Fateful Decade

The White Paper issued this week by the State Department is a healthy reminder of a decade, and a state of mind, too conveniently forgotten. In this review of pre-war policy, the Department points, with pardonable pride, to the excellence of its information and the accuracy of the warnings, based on that information, which it conveyed to other arms of the Government and, more obliquely, to the American people and the world. The information was precise and it was impressively on time. As early as 1934 and 1935 the wires were busy with warnings from Berlin, from Tokyo, from Rome with revelations of the ambitions of the Axis and their preparations for war. Even the attack on Pearl Harbour was foreseen by Ambassador Grew almost a year before the disaster took place. Rearmament and diplomatic resistance to aggression were carried on in so far as it was possible for the Executive to do so in the face of popular unwillingness to admit the likelihood of another war. The revelations of the White Paper have aroused indignation, as indeed they should. It is a good thing for the Army and Navy to remember Pearl Harbour. It will be a good thing, too, to jog the memories of those pre-Pearl Harbour Isolationists, now in Congress, who are clamouring for a greater share in the direction of the war. It is not always true, of course, that if the cap fits, it is worn. Senator Vandenberg, with disarming effrontery, reads into this evidence of the awareness of the State Department and the Administration the moral that Congress must set up a joint Congressional committee to supervise war co-operation. It is a good thing, too, at a time when the current policies of the State Department are, for good reasons, the subject of critical appraisal, to be reminded that for the ten years before the war it did its job well—within the limits imposed by its constitution.

\$90 Billion Job

Mr Nelson has spoken of the American war production programme for 1943 as "something better than a ninety billion dollar job." If the estimate of a national income of about \$135,000 millions, based on the assumption of fairly stable prices, proves accurate, this means that about two-thirds of the American national income will go into war production. With the national income for 1942 estimated at \$117,000 millions, the rate of war production was just under \$75,000 millions in December. The share allotted to war production will not, then, increase drastically; but there are to be substantial changes in the pattern. The broad outline of these changes are given in a joint communiqué of the Army, Navy and War Production Boards. The virtual completion of an immense construction programme, combined with a "lean but healthy civilian economy," will make possible double the output of arms produced in 1942. The ordnance programme is to be cut by 15 per cent, and there will be a reduction in the proportion of tanks and motor vehicles in order to more than double the number, and quadruple the weight, of aircraft; to double the merchant shipbuilding goal; and provide for an increase in naval escort vessels. The attainment of these goals will make heavy demands upon the controls, and upon the civilian population, both in their capacity as managers and workers, and in that of consumers. Within the War Production Board it will necessitate the success of the new controlled materials plan; more thorough control over inventories of raw materials, including those of the Services; and more effective enforcement of its regulations by the WPB. Great shifts in the utilisation of manpower will be needed. A figure of 65 millions in the Forces and war production is being quoted against 58 millions now. One of the most dramatic sacrifices will be, as Mr Nelson has made clear, the withering away of much of civilian enterprise and of small business in par-

ticular. Of the \$90,000 millions of war production, he expects to award only about \$1,000 millions to small business. Concentration, which has so far been disappointingly slow, is to be speeded up in the distributive trades, where there is much room for slimming, as well as in industry. The progressive slowing down of production, distribution and transport for civilian use, and the exhaustion of stocks, make the effective control of purchasing power central to the success of the war effort. As Mr Henderson said last week, shortages and rationing are the testing ground of the home front.

The Great Debate

Mr. Wallace's speech ten days ago has succeeded in one of its major aims, that of provoking and clarifying discussion of the post-war settlement. As yet there is little in the way of official administration policy beyond the Atlantic Charter and the Four Freedoms; but Mr Wallace's last speech, with its concrete ideas, is thought to have been a forecast of an early pronouncement by the President. Mr Roosevelt himself has only gone so far as to lay down one primary war aim, the maintenance of peace and the

supreme necessity of planning what is to come after the war and of carrying forward into peace the common effort which will have brought victory in the war.

Even the need for planning has been challenged by the opposition; sharply by some Senators, who feel that the time is not ripe; implicitly by the internationally-minded Republican *Herald Tribune*, which accepts the problems named by the Vice-President, but trusts that the present Administration will not be in a position in 1944 to carry out any of its plans. Nevertheless, plans are being drawn up, and as their outlines become clearer the battle lines appear. The President of the National Association of Manufacturers has frankly disavowed any intention of fighting to supply milk for every Hottentot child or to establish a TVA on the Danube; and an industrialist-sponsored Committee for Economic Development has been formed to protect the principle of free enterprise in the post-war world. Free enterprise is a convenient cloak for a score of special interests and to some it may mean only freedom from Government interference. But it is striking that one of the assumptions of this new committee is that industry must, if it is to retain its freedoms, assure the maintenance of employment by the expansion of production. The maintenance of domestic employment is, of course, the easiest common meeting-ground of unlike minds. Even the "authentic Bourbons" have their ears to the ground and their thoughts on their crowns. But it is the international aspects of the peace that will provoke the bitterest disagreement. The professional Republicans are still deeply tinged with Isolationism, and they are dangerously strong in the new Congress. Despite the bitter-end Isolationists, some measure of economic aid, some degree of post-war collaboration, are certain. The question is largely one of degree and of motive. Action by Congress on Lend-Lease and the Reciprocal Trade Treaties may give some indication of the trend.

Correction.—In the Note on Lend-Lease, last week, two figures for the percentages of food stuffs exported were erroneously given. The correct figures are: Fish, 21 per cent of available supplies instead of 2 per cent; and lamb and mutton, 0.0 per cent instead of 9 per cent.

DISCOVERY

Vol. IV JANUARY No. 1
David S. Evans. Monthly Scientific Notebook
J. S. Huxley, D.Sc., F.R.S. Darwinism To-day
F. Twyman, F.R.S. Spectroscopy: industrial application
W. G. Ogg, M.A., Ph.D. A Scientist at Work on the Soil
F. N. Howes, D.Sc. Russian Rubber Plants in Britain
etc., etc.

Annual Subscription 19/- post free from publishers
Single copies 1/6 from all Booksellers.

THE EMPIRE PRESS - NORWICH

THE WORLD OVERSEAS

Science and Industry in Eire

[FROM OUR DUBLIN CORRESPONDENT]

December 28th

THE tenth anniversary of the foundation of the Federation of Irish Manufacturers was celebrated this month. The Federation was complimented by the Minister for Industry and Commerce on the successful efforts that its members have made to maintain employment in a period of exceptional difficulty. Most of the protected Irish industries depend upon imported supplies of raw materials and capital equipment. The great reduction in imports caused by the war has raised a host of unprecedented problems. In the solution of these problems, Irish manufacturers have received valuable assistance from Irish scientists. The importance of scientific research to the industrial programme has become apparent under the stress of war. It is to be hoped that, when the period of emergency passes, the rôle of scientific research will not be forgotten. Some of the earlier industrial ventures were undertaken without much preliminary thought. The success of Irish industry as well as that of agriculture after the war will depend upon procuring the latest and best information regarding scientific and technical developments.

As long ago as 1934, there was established an Industrial Research Council. This body, which has a record of useful work to its credit, proved unduly large for the urgent problems of the emergency. A year ago, there was established the Economic Scientific Research Bureau consisting of five members. This Bureau has worked in close co-operation with the Industrial Research Council, the universities and business scientific staffs. It was, unfortunately, set up at such a late date in the war that many materials and machines necessary for its researches proved unobtainable. However, the very urgency of the task with which it was confronted may have accelerated the obtaining of results. The Bureau has at all times been conscious of the necessity of attaining production on a commercial scale. The chairman of the Bureau, Professor Dowling, of University College, Dublin, states that "business men often enter into contracts on a time and material basis. I chuckle when I think that most of our contractual obligations are on a basis lacking in both time and material."

The most difficult problem in Ireland has been to find substitutes for fuel. It has been discovered that turf charcoal is better than wood charcoal or anthracite for producer gas plants. Experiments in the production of peat charcoal

have been very encouraging, and it is hoped that production on a commercial scale may not be long delayed. Investigations are also being conducted into the production of gas from peat. Supplies of phosphorus and sulphur are necessary for many essential industries. Phosphorus has been produced from Irish phosphate rock, and it has been discovered how to make graphite electrodes which had hitherto been imported. A plant has been invented for the production of phosphates in the event of the failure of the supply of electricity. The production of sulphur has proved less easy, but "a quite uneconomic but probably successful method" has been devised. Without these processes many Irish industries would have been deprived of essential materials. The drive for increased tillage requires abundant fertilisers. The large Irish superphosphate industry depends on imported supplies, which, owing to events in North Africa, are now more than ever interrupted. The possibility of using phosphates in County Clare is being investigated. One of the difficulties in introducing new fertilisers is to overcome the prejudice of farmers against the unknown. The refrigerating industries have been gravely embarrassed by the stoppage of imports of carbon dioxide. An emergency plant in University College was devised, and carbon dioxide is now produced from the fermentation processes in Guinness's Brewery on a commercial scale. This enables the creamery industries to carry on. There has also been set up an emergency plant for the production of ammonia. Disinfectants, which were in large demand owing to the outbreak of foot and mouth disease, are being produced in the alcohol factories.

Living and Prospering?

These are but a few examples of the problems which have been investigated, and to some extent solved, by the Scientific Research Bureau. Many other problems confront the country. Ireland possesses no metallurgical industry and suffers from a shortage of all essential metals. A geographical survey is being carried out to discover possible sources of minerals in the country. Electrolytic iron has been produced as a substitute for sheet steel, and it is hoped that sheet iron of this quality may be forthcoming at not too great expense. The experience of the last three years has been a practical lesson in the real cost of self-sufficiency. Two hundred years ago, Berkeley asked, "Could the Irish live and prosper if a brazen wall surrounded their island?" The answer to this question is becoming apparent to-day. The wall of brass arising from the blockade and the interruption of normal shipping services in teaching the Irish people that, although they may live behind it, they cannot prosper. The activities of the Scientific Research Bureau are deserving of all praise, but no substitute materials can make up, except at quite disproportionate cost, for the benefit of the importation of the natural products of other climes and other countries.

Mexico's War Production

[BY A CORRESPONDENT]

December 29th

WHEN Mexico declared war, it was obvious from the beginning that, apart from its guard over the northern approaches of the Panama Canal, and the opening of its air and sea ports to the Allies, the country's chief contribution to the common war effort would come from its production. As Mexico's industrial development is still limited—according to the last industrial census, in 1935, there were only 7,050 industrial firms, with a total invested capital of 827,000,000 pesos and a total employment roll of 205,000 persons—production means mining and agriculture. Mexico has about 31,000 mines, most of them non-ferrous metal mines, and about 275 million acres of agricultural land, to which 25 million acres of forests (chiefly pine, spruce, cedar and mahogany) should be added. While the mines are

almost exclusively controlled by foreign capital, agriculture is largely in Mexican hands. Since the revolution of 1910, in which the demand for land reform was one of the main factors, large farms have given way to small peasant farming. In recent years, both mining and farming in Mexico have passed through a critical stage. In agriculture, shortage of capital, difficulties of transport and lack of a central direction, resulted in stagnation, and the only two agricultural products of great interest to the United Nations are henequen (a hard hemp) and guayule (a rubber-producing plant). Mexico's production of henequen has recently fluctuated between 80,000 and 125,000 metric tons per year, while the output of the latter is estimated at about 8,000 tons for 1942. In both cases, new plantings require a delay of some years before a normal harvest can be secured, but, in the case of guayule rubber, a considerable acreage, planted in recent years, is approaching maturity. Apart from these two commodities, and the possible production of silk, for which the Mexican climate and soil are highly suitable, the United Nations cannot expect much help from Mexican agriculture in the near future.

On the other hand, the prospects for a rapid increase in the production of minerals are good. The nationalist policy, which followed the election of Lazaro Cardenas to the Presidency and reached its climax in the nationalisation of the railways and the expropriation of the foreign oil companies, made the foreign mining companies very reluctant to invest new capital in their Mexican enterprises. As a result, production of most minerals, among which oil, copper, silver, lead, zinc, antimony and quicksilver are the most important, fell well below the record levels reached in 1928 and 1929. In 1941, the production of crude oil reached only 42 million barrels, against 47 million barrels in 1937. The production of copper in 1941 amounted to 48,500 metric tons, against 86,600 tons in 1929; that of zinc fell from 174,000 tons to under 155,000 tons, and of lead from 248,500 metric tons to 155,200 metric tons. As the great majority of the mining companies operating in Mexico are controlled by United States interests, the closer political relations between the Mexican and United States Governments, brought about by President Camacho since June, 1940, and Mexico's entry into the war have greatly improved the outlook for Mexican mining.

Roads and Railways

Last October, it was pointed out in Washington that shipments of Mexican materials to the United States were approaching an annual rate of 1,200,000 metric tons, a tonnage which far exceeds the carrying capacity of the Mexican railway system. In the middle of November, therefore, the United States Government adopted a plan providing for the doubling of Mexico's railway capacity at the expense of the United States Government. The work will be carried out without delay by US engineers. A technical mission of US railway experts has been in Mexico for the past six weeks to lay down the details of the plan. Simultaneously with the extension of the railway system—Mexico has to-day 14,200 miles of railways—an energetic plan to increase the country's roads was initiated. By the end of last year, Mexico had about 42,470 miles of highways, of which close on 8,000 miles were suitable for traffic during the whole of the year. Road development, besides the improvement of existing highways to make them suitable for all-season traffic, will consist in particular of the extension of secondary roads linking the highways with distant mining and agricultural centres. All war transport development is being organised by a new co-ordinating body for war production established by presidential decree early in November. The same body co-ordinates and directs mining and agricultural production on the basis of lists of requirements supplied regularly from Washington. Steps have also been taken to develop promising mineral deposits through newly-formed companies. The formation of such companies, whether Mexican or foreign, is stimulated by a recent decree, under which new enterprises will be freed from taxation for a period of five years.

For the duration of the war, Mexico's economic outlook appears brighter, but whether this prosperity will prove more than a passing phase in its unstable economic history depends to a great extent on future relations between the Mexican Government and foreign Governments and financial interests. Mexico not only requires foreign markets for almost the whole of its production, but also needs foreign funds and technical help for the full development and utilisation of its extensive natural wealth.

HEALTH AND FOOD RATIONS

WHAT IS A HEALTHY DIET?

Before the war many people suffered from malnutrition because they picked the wrong foods from large and varied supplies. Now, the way to be well fed is to make sure of picking the right foods which are still available, even though supplies may be restricted.

Keep a few good sound principles well in mind. *Natural foods are the best*—vegetables contain important vitamins and become plentiful from time to time; National Wheatmeal bread has many valuable elements which were lacking in white bread; milk is available for children, who need it most. Fish liver oil—another natural food—contains the protective and bone-forming vitamins and is an essential supplement to everyone's diet, whether grown-ups or children.

The newspapers, the B.B.C. and the Ministry of Food are constantly publishing excellent recipes. You will find it pays you well to follow them. Diet should be varied if you are to make the best use of it.

Think carefully about food selection. It is well worth your while

This is one of a series of announcements issued in support of the Government's food policy by the makers of

CROOKES'

HALIBUT LIVER OIL



Russia at War

Managers of Industry

ONE of the factors which, at the beginning of the Russo-German war, made Russia's industrial strength something of an unknown quantity was industrial management. Russia's industry is still young; most of it has been built up during the last decade. And Russia's industrial management is even younger; the majority of the present industrial leaders, factory directors, technicians and so on were educated and promoted in the late 'thirties. In 1941, they had only had a few years of administrative and managerial experience. In a sense, they were still on the threshold of their careers when they had to shoulder the enormous responsibilities of industrial evacuation from the west and reconstruction in the east. In 1941, it could not be taken for granted that they would pass the test of war. But the experience of a year and a half of war economy, for all the obvious drawbacks due to the lack of a solid managerial tradition, has on the whole vindicated them.

The history of Russian industrial management in the post-revolutionary period has been stormy. There were two major crises, closely connected with fundamental changes in the economic and political outlook. The first crisis came towards the end of the 'twenties, when the so-called New Economic Policy was abandoned and the country embarked upon speedy industrialisation. The first Five Year Plan posed two great problems. First, there was the need to train a large body of new administrators and technical specialists to man the new plants and factories. In the years before the Plan, there were not more than about twenty thousand engineers in Soviet industry. The demand for engineers was expected to reach a figure about ten times as big towards the end of the first Five Year Plan. The "crisis of the cadres" was solved by a set of expedients which yielded impressive quantitative results. The period of industrial training was cut short; the standards of teaching were radically lowered and simplified; and many schools and colleges were transferred from the Commissariat of Education to the industrial departments of the Government. By 1932, 165,000 engineers had been graduated from colleges and secondary vocational schools. The second problem was social and political. During the NEP period, there was a duality in industrial management. The technical manager was controlled by the party director just as the officer in the army was controlled by the political commissar. This dual control was wasteful of manpower; and it caused continual friction. If continued, it would have obstructed industrial expansion. The regime sought to eliminate it by training administrators and technicians whose "social origin" would guarantee their political loyalty. The sons of the intelligentsia and of the peasants were not allowed to make up more than 35 per cent of the new pupils admitted to technical colleges and schools; the rest were young workers or sons of industrial workers.

The second Five Year Plan was started (in 1933) with a new reform in industrial training. Quantitative achievements had been obtained, as in many other fields, at the expense of quality. It was therefore decided to revise the standard of industrial training. The controls on the "class origin" of students or trainees were discarded. During the period of the second Five Year Plan, the percentage of "proletarian elements" among the students of technical colleges fell from 50 (in 1933) to 34 per cent (in 1938).*

The second great technical crisis developed in 1936-38. The "purges" of that time affected industrial management no less than the army, the diplomatic service and the party. The key positions in the whole of the Soviet industries were filled by new men. The new cadre of industrial managers differed very strikingly from its predecessors. The "Red specialist" of the first Five Year Plan was trained hurriedly and rather superficially, whereas the

industrial managers of the third Five Year Plan were educated more thoroughly according to the improved standards of training which had been made obligatory. A rough idea of the "output of industrial officers" is provided by the figure of 365,000 graduates from engineering colleges and technical schools during the years 1933-37, compared with 165,000 during the previous five-year period. It was largely from these 365,000 new engineers that the present industrial management was recruited.

But the difference between the present managers and their predecessors is not only, or even mainly, a difference in professional training. The industrial manager of the pre-1936 period was more frequently than not an "ideologist." His approach to industrial problems was strongly coloured by political conceptions. To him, the economic ascendancy of Russia was not an aim in itself; it was an experiment in the application of party doctrine. He was, in a sense, a traditionalist of the Bolshevik Revolution. The new industrial manager is of a different, more businesslike and matter-of-fact cast of mind. "Ideological" traditions are not allowed to interfere with the technical needs. His ideals are: fulfilment of the monthly plan, a rising graph of production, absolute obedience and discipline in the workshop and one-man direction of the plant.

In the light of the present war, some of the changes which occurred in 1936-38 have become more understandable. The Soviets were already building up their military strength at that time. This undoubtedly involved more hard labour than before in Soviet factories as well as a lowering of the standard of living of the masses. The old type of industrial manager might have met this situation with some ideological scruples. What was needed now was the subordination of trade unionism (in its Soviet version) to defence economy. The new industrial manager was given almost unlimited powers to establish his authority and to deal with slackness and infringements of labour discipline. Simultaneously, the social and political status of the managerial cadre was raised. Technicians and industrial administrators were the backbone of the governmental machine before the war (recently the army officers have taken a very prominent place beside them). Their salaries were very considerably increased. The campaign against the *uravnilovka* (the equalitarian tendency) was waged vehemently through all the channels of official propaganda. What has followed has all the appearances of a Socialist version of technocracy. The guiding principle of that technocracy can perhaps be expressed in the words which Alexei Tolstoy put in the mouth of Peter the Great: "The undertaking was so vast that there was no time for pity."

The relations between industrial management and the party organisation have also undergone a fundamental change. The once familiar conflict between party cell and factory director has long been forgotten. The fullest unity between party and management has in fact been achieved. The manager is now only very rarely a non-party man. The party, on the other hand, has evolved into an almost non-political body. All its interests and activities have been centred on the problems of production. This has been particularly striking in all the production drives which have taken place in wartime in which the party organisations have usually acted as the auxiliary apparatus of industrial management. "Ideological" issues such as the German problem, or post-war reconstruction, or *l'affaire Darlan*, issues on which public opinion in democratic countries has been more or less divided, have caused no discussion in Russia. The agenda of party meetings have been filled by problems of industrial bottlenecks and military training. The particular responsibility of the party committees has been tasks such as co-ordinating the work of industrial managers on a regional basis, to look after the proper distribution of labour and raw materials between the various factories of a given region.

Books Received

- Appeal to the British.* By Mahatma Gandhi. (Karachi) Anand T. Hingorani. 84 pages. Rs.1/8.
- As We Saw It in Prague.* By O. Lechner. (London) Allen and Unwin. 208 pages. 7s. 6d. net.
- The United States and the Far East.* By S. K. Hornbeck. (Boston) World Peace Foundation. 100 pages. \$1.00.
- What the Church Teaches.* By the Bishop of Bradford. 95 pages.

* For more detailed figures see S. M. Schwarz, *Heads of Russian Factories—A Sociological Study* (published by Social Research, New York), from which the figures quoted in this article have been drawn.

Beveridge Report predigested by G. D. H. Cole in "Beveridge Explained." 48 pages. New Statesman Pamphlet. 6d. Everywhere.

THE BUSINESS WORLD

Germany's Loot

WITH the turn in the tide of war in the Allies' favour, the rats are on the move. In most of the occupied countries of Europe there have been signs that quislings and collaborators have begun to hedge. Most significant of all, Germans have begun to move their store of plunder to safer neutral holes; and these activities are being watched with a vigilant eye by the United Nations. These activities, and the gigantic campaign of looting of which they form part, have been the subject of two statements. The first was the report on the "Penetration of German capital into Europe," issued last week by the Inter-Allied Information Committee (published by His Majesty's Stationery Office, price 3d.); the second came this week in the Allied declaration on the restitution of property stolen by the Axis, with its warning to all neutral intermediaries who may be induced to lend their aid to the robbers.

The report of the Inter-Allied Information Committee is a carefully compiled and closely documented review of German predatory activities in the occupied countries. These activities fall into two broad categories. First, there is direct robbery—the confiscation of property without compensation. Then, there is an infinite variety of deals to which a pseudo legal veneer has been given, but which, none the less, represent just as brazen looting of the occupied countries as direct pilfering. Open robbery is resorted to wherever Germany is dealing with Jewish property. Whether within Germany or outside it, the process euphemistically known as "aryanisation" is equivalent to confiscation. Such open robbery has been more generally practised in Western Poland, the Protectorate and Slovakia, Alsace and the occupied parts of Soviet Russia. In occupied Western Europe open confiscation has been less blatant; it has taken such forms as the removal of works of art to safer places of custody, notably to the homes of such art lovers as Hermann Goering. No subtlety is required to solve the problem of these acts of plain theft. The need is to keep track of what is taking place, and then to compel restitution.

Difficulties arise in seeking a solution for the problem of Germany's indirect and complex methods of robbery by capital infiltration. All these operations have two features in common: they respect the outward forms of legality; and they involve Germany in no economic cost for its purchases of shares, participations and other interests. One method is the provision of clearing accounts—in which Germany is nearly always a heavy debtor—of "free" sums which are advanced to German firms for the establishment or extension of their business in the occupied countries concerned. In such cases, the capital expenditure by the German firm is, in fact, financed by the central bank of the occupied country, which in its turn holds against it a claim on Germany expressed in Reichsmarks. The procedure comes slightly nearer direct robbery where the infiltration of German capital is financed without the creation of any clearing debt, but out of so-called "occupation costs"; the outstanding example of this procedure is provided by France, where occupation costs have been fixed at a level so appreciably above the actual costs that the German authorities have, as a result, been accumulating large unspent balances of francs at the Bank of France, which have in part been used to buy shares for German concerns on the French stock exchanges, and to finance the direct participation of German firms in French industry. In the case of the

Netherlands, the provision of local currency to finance the invasion of German capital has proceeded, not only by way of spurious occupation costs, but also by breaking down the customs and exchange barriers between that country and Germany. As a result, German Reichsmarks have been provided in unlimited quantities for effecting the purchase of Dutch assets; and the marks have had to be accepted at fixed rates by the Netherlands Bank, which in its turn has seen its claims on Germany increasing, in 1941 alone, from 15.4 million guilders to 929.9 million guilders. These devices provide only the beginning of the tale of German capital infiltration. Where there has been no acquisition of specific share holding control, the same objective of economic subjugation has often been reached by so-called "friendly agreements" between local concerns and their German prototypes, or by the compulsory adhesion of occupied firms to German cartels, who then impose production and sales regulations on their new members. So the story could go on almost indefinitely, through all the various shifts of exchange manipulation and unbalanced trade clearings.

In the report of the Inter-Allied Information Committee these generalities are clothed with the details of specific transactions. The most prominent are to be found in the

CIVILIAN WAR RISKS

are normally covered
**WITHOUT
EXTRA
CHARGE**

under new
**WITH-PROFIT
POLICIES**
effected with the
**SCOTTISH WIDOWS'
FUND**



Head Office:
9 ST. ANDREW SQUARE
EDINBURGH, 2

spheres of banking, heavy industry and chemicals. The big German banks have acquired control of and administer banks in most of the occupied countries. The close financial links which normally exist between industry and banking in Europe have made this extension of German banking interests a far more formidable encroachment than it may at first sight appear. In the case of heavy engineering industry, the tentacles of the *Reichswerke Hermann Goering* are now to be seen in every part of occupied Europe; equally ubiquitous is the *I.G. Farbenindustrie* in the chemical industry.

It is against this "systematic spoliation of occupied or controlled territory . . . from open looting to the most cunningly camouflaged financial penetration" that the 17 Governments of the United Nations and the French National Committee have, this week, uttered their warning. The objects of these operations is always the same,

to seize everything of value that can be put to the aggressors' profit and then to bring the whole economy of the subjugated countries under control so that they must slave to enrich and strengthen their oppressors.

The signatories reserve all their rights to declare invalid any transaction in property situated in the territories that came under control of the enemy powers or belonged to persons resident in such territories. The warning is especially directed against citizens of neutral countries "who may be persuaded to act as fences or cloaks on behalf of the thieves."

Such, then, is the gigantic and ingenious omelette which it is proposed to unscramble at the end of the war. The task will be far from the easiest of those incumbent on the victors. The fact-finding report of the Inter-Allied Information Committee does not attempt to pronounce on ways and means; and the Foreign Office statement which accompanies the United Nations' declaration puts off any definition of the action which will have to be taken in restituting stolen property until victory has been won. The simple solution of restitution to the rightful owners will not suffice in all cases. Obviously it will be the only fitting solution where stolen property can be identified and restored. But most of the disappropriated owners of property acquired by the enemy through pseudo legal means will have received appropriate monetary compensation for their assets, even if that compensation was provided by the Government or central bank of their country. They may be unable to provide the repurchase money. It is, moreover, unlikely that equal treatment will be meted out to all despoiled countries—whether they

fought for or against the Germans. For it must not be forgotten that nowhere has Germany's economic penetration been more marked and more brutal than in the case of its ally, Roumania. Nor must it be assumed that the unpicking of the fabric of German-made industrial concentration in Europe will necessarily be the right policy after the war. Post-war Europe may need and welcome this industrial integration once it has been divorced from the dire purpose for which it was forged by Germany. It may, therefore, be unwise for the United Nations to commit themselves to the automatic dissolution of these industrial marriages, however great may have been the duress under which some of the parties consented. In any case, it would be attempting the impossible to undo every transaction which the United Nations may declare invalid and to trace it back to its source through the many intermediaries that have taken a hand in it.

A more promising approach to the problem will perhaps be the immediate sequestration of directly or indirectly German-owned foreign property and its subsequent repatriation by some centralised agency forming part of an inter-Allied reparations commission. In the first instance, these assets would form part of the German reparations payments, qualifying for that role with special force because they will be practically the only form in which reparations can be made without involving an exchange transfer problem or economic dislocation; and by this manner of attack on the problem of restitution, the ultimate redistribution of the stolen property might, moreover, be effected on lines that would most directly serve the interests of European reconstruction.

The whole problem will henceforth be kept under continuous review by a committee of experts. They will in the first instance consider the scope and sufficiency of existing legislation in Allied countries to invalidate dealings or transfers of the nature indicated in the United Nations' declaration. In addition, the committee will act as a centralised bureau of information for all suspect transactions. If, at the same time, the members of the committee were required by their terms of reference to give some preliminary thought to the problem of restitution, an important step would have been taken towards a first considered exchange of ideas among the United Nations on the reparations question. The pitiful muddle that was made of this problem after 1918, and the seeds of economic distress and of further wars which were then sown, are sufficient arguments in favour of an early start on the consideration of this basic problem of the peace.

Finance and Banking

Return to Abundance

Helped by the exceptionally heavy ways and means borrowing of the Government at the Bank of England, the money market withstood the seasonal pressure over the turn of the year with ease. Last Saturday, the first working day of the New Year, provided an exceptional turnover of funds. The bulk of the Treasury bills taken up last week were paid for on that short day, while there was an even greater concentration of Treasury deposit receipt payments by the banks. On the other hand, the banks put back into the market all the money that had been called in the earlier part of the week. Dividend payments and the Treasury disbursements on the unconverted part of the Australia 2½ per cent loan further helped to swell the stream of funds returning to the money market. The difficulties created by the exceptional turnover of funds on Saturday were therefore of a physical rather than technical character. By the beginning of this week the credit basis had been further enlarged by Treasury disbursements of some £60,000,000 on vested India loans and the credit position became plethoric, many lenders having unusable balances on Monday and Tuesday. Thereafter, the surplus of credit became rapidly smaller, and by mid-week the position in the market had returned to normal. This week's Bank return nevertheless indicates a position which is still considerably extended. Government securities have fallen by

£44,820,000, representing in large part the repayment of ways and means advances. Bankers' deposits are even more sharply down, namely, by £65,777,000, but this movement still leaves their total at the comparatively high figure of £157,625,000. The reduction in the cash basis during the past week would have been smaller had it not been for a temporary immobilisation of funds in Other accounts; these have risen from £48,821,000 to £82,492,000, probably in connection with the time lag in clearing warrants for repayment of vested India securities.

Floating Debt in December

The floating debt return giving the position on December 31st is notable on many counts. It shows the total floating debt at £4,029,020,000, this being the first occasion on which the £4,000 million line has been passed. The rise in the total over the month was only £96,850,000, but within this movement there were greater changes in the individual floating debt items. Ways and means advances from public departments fell by £125,540,000 to £161,585,000, the lowest level since November, 1941. This movement is probably the counterpart of last month's issue of £123,600,000 of National Defence Loan to the National Debt Commissioners. Treasury bills have risen by £82,610,000.

cannot be computed, as the year closed on a Thursday. If, however, allowance is made for the fact that the whole of the maturities of tender Treasury bills in the last week of the year fell due in December, and that the bulk of the new £75 millions taken up in that week was paid for in January, it will be seen that the total of tender bills outstanding at the close of the year must have been appreciably down on the total for the previous month, and that the rise in tap bills must therefore have amounted to well over £100 millions. Ways and means borrowing from the Bank of England over the turn of the year amounted to £67,750,000, which was £1,750,000 more than at the end of 1941, and was the highest figure recorded since the last war. Treasury deposit receipts continued their record-breaking career. Of the £234 millions which was redeemed last month, £36 millions represented pre-encashments to cover subscriptions to new Government issues. The gross amount raised from this source was £312 millions, lifting the total outstanding to £966 millions. A seasonal reaction in the expansion of this item is now due. The feature of longer-term debt changes last month was again the popularity of tax reserve certificates. The gross amount of £47,050,000 raised through this means provides the largest single receipt item, apart from the special issue of £123,600,000 of 3 per cent National Defence Loan to the National Debt Commissioners. Even allowing for the redemption of £10,197,000 of tax reserve certificates in December, the net amount raised still exceeds that produced by any of the other tap loans of the Government. Recently published company balance-sheets indicate that many large concerns liable to EPT have accumulated substantial amounts of these certificates. It is no doubt in this direction that search must be made for the principal source of demand for tax reserve certificates. In the hands of this type of investor, these certificates represent an extremely expensive form of borrowing for the Government.

Financing Expenditure

The following table summarises the Exchequer returns of the financial year to date (December 31st) and shows

the respective shares of revenue and borrowing in meeting expenditure:—

£000	
Total ordinary expenditure	4,055,481
New Sinking Funds	8,808
Loans repaid:—	
National Savings Bonds	2,507
Public Dept. Advances	33,550
Increase in balances	408
Miscellaneous issues	1,507
Total ordinary revenue	1,766,598
Loans raised:—	
3% Def. Bonds (net)	78,293
3% Savings Bonds 1955-65	46,786
3% Savings Bonds 1960-70	231,473
2½% Nat. War Bds. 1949-51	335,143
3% Nat. War Bds. 1951-53	21,000
3% Funding Loan 1959-69	121,650
3% Nat. Def. Loan 1964-68	123,600
Nat. Savings Certs. (net)	136,150
Tax Reserve Certs. (net)	278,418
"Other debt" (net)	212,960
Floating debt (net):—	
Treasury Bills	212,440
Bank of Eng. Adv.	67,750
Treasury Deposits	470,000
	£4,102,261

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

The Bullion Market

The annual circular published by the firm of bullion brokers, Mocatta and Goldsmid, points out that the range of prices quoted for silver in London, namely, $\frac{1}{4}$ d. for cash and $\frac{1}{2}$ d. for forward, are a low record for all time. The circular is perhaps guilty of an excess of discretion in omitting all reference to the official sales of silver at a fixed price which have been the dominant feature of the London silver market throughout 1942, and which have been wholly responsible for this stagnation of prices. There are more exciting subjects for discussion in the review of the silver markets in the United States and India. The circular points out that, despite the prohibition of the use of silver for such non-essential purposes as jewellery in the United States, the industrial consumption of the metal for 1942 should considerably exceed the 80 million ounces reported for 1941, a figure which compared with 41 million ounces for 1940. It is estimated that the industrial consumption of silver in Britain has shown little increase in 1942 over 1941. This is because in this country silver has

THROUGHOUT the World
the name of **MILNERS** is
a synonym for **SECURITY**.

The same sound craftsmanship which has made **MILNERS' SAFES** and **STRONG-ROOMS** so universally respected is to be found in **MILNERS' STEEL EQUIPMENT**, which is designed to promote business **EFFICIENCY**.

Able administration is bred on efficient organisation and equipment. Let **MILNERS** help you in your post-war planning.



The Safe aid to efficiency

MILNERS SAFE CO. LTD., 21, HAMPSTEAD LANE, LONDON, N. 6. Telephone: MOUntview 6655.



not been used to any extent as a substitute for other metals in war production. Of the London gold market, the circular states that business has been chiefly confined to a few sales to the Bank of England, most of which has been by order of the Custodian of Enemy Property. It is added that in January, 1941, the Bank of England announced they were prepared to supply gold to the market through authorised bullion dealers for certain specified purposes. It is understood that these purposes are connected with the satisfaction of genuine and essential industrial requirements, that they have been carefully hedged with conditions and that the business to which the offer of these facilities may have led has been exceptionally small.

US Discount Rates

All Federal Reserve Banks have come into line in reducing from 1 to $\frac{1}{2}$ per cent the rate on member bank advances secured by direct obligations of the US Government having a year or less to run. The rate for advances

secured by Government paper having more than a year to run remains at 1 per cent. The rate for other secured advances to member banks, granted under section 10 (b) of the Federal Reserve Act, has come down from 2 to $1\frac{1}{2}$ per cent in the New York district and that for advances under section 13, to individuals, partnerships or corporations, other than banks, from $3\frac{1}{2}$ to $2\frac{1}{2}$ per cent. The imperfect appreciation of these changes, which has persisted in this country ever since they were made two months ago, is largely due to the manner in which the relevant information is presented in the official Federal Reserve Bulletin. In the tabulation of official discount rates the charges on advances secured by Government paper appear under the following heading: "Advances secured by the direct obligation of the US (maturities not exceeding 90 days)." This 90-day limitation of the maturities does not apply—as would seem indicated by the context—to the obligations of the US securing the advance, but to the currency of the advance itself. Official US banking statistics are, in so many respects, an example to all the world that such a method of presentation is particularly misleading to the outside observer.

Investment

Long Period Equity Trends

The New Year has brought a definite recovery in stock exchange business, but it is of the particular character associated with reinvestment of January 1st dividends and, this year, with the India disbursement. There is also a heavy gamble in progress in home railway stock. Otherwise, the volume of business in industrial equities remains at a rather low ebb and there is no indication, as yet, that the hoped-for recovery in activity in that section is on the way. Prices, however, remain distinctly firm, and the index of *The Financial News* is at a new high, a level last touched in February, 1938. Meanwhile, the publication of *The Actuaries' Investment Index* for December 29th suggests that the recovery in values last month was less than the more highly selective indices indicated. For

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	Feb. 1, 1938	Dec. 30, 1941	Nov. 24, 1942	Dec. 29, 1942	Feb. 1, 1938	Dec. 30, 1941	Dec. 29, 1942
24% Consols	136.2*	146.3	145.4	145.7	3.27*	3.05	3.06
Home Corps. (4)	133.3*	139.2	142.7	142.6	3.50*	3.35	3.27
Total Indus. Debs. (43)	117.7*	114.3	119.3	119.7	4.02*	4.16	3.96
Total Indus. Pref. (101)	106.1*	101.0	107.2	107.7	4.30*	4.55	4.38
Banks & Dis. Cos. (10)	116.4	102.1	111.4	111.7	4.00	4.45	4.06
Insurance Cos. (10)	120.1	97.6	106.6	100.2	3.49	4.11	4.15
Building Materials (6)	83.6	66.3	82.7	82.6	6.98	4.10	3.56
Coal (8)	99.0	82.7	95.0	92.2	5.17	6.27	6.00
Cotton (5)	34.5	29.1	43.0	42.6	2.69	3.00	3.28
Electrical Mfg. (13)	127.5	128.3	141.9	141.8	4.48	4.85	4.38
Gas (8)	118.5	65.8	85.2	85.1	5.00	3.44	3.04
Motors (7)	38.5	36.3	43.0	44.3	6.11	5.04	4.29
Oil (4)	78.6	54.7	70.4	71.0	6.38	4.31	3.34
Home Rails (4)	68.8	41.9	69.5	72.0	3.08	6.40	5.68
Shipping (7)	18.4	22.6	26.4	25.2	3.02	4.34	4.09
Brews. & Dist. (20)	131.9	114.1	133.4	133.2	4.96	5.14	4.58
Miscellaneous (20)	65.2	61.0	66.5	66.2	4.68	4.75	4.22
Industrial— (All Classes) (150)	72.5	60.7	71.9	72.0	4.93	5.00	4.47

* Prices and yields as on January 25, 1938.

industrial equities, ten of the fifteen groups show falls, but the rises in the other five, and particularly those in shipping and stores and catering, were slightly more important, and the index shows a rise of 0.1 to 72.0, the highest since February 1, 1938. The recovery on the month, such as it is, appears to be entirely due to better dividend payments for the year is up by 0.02 to 4.47 per cent. These figures refer to industry only. The feature of the month is a fall of 6.4 points, to 100.2, in the index for insurance share values, but, even so, they are appreciably higher on the year, and 5.2 points above the low of end-February caused by fears of losses in the Far East. Every single group of equities shows a rise on the year, the smallest being 2.6 points in insurance shares. For industrials only, the

average rise is some 19 per cent, with individual improvements ranging from 7.4 for electric light and power to 70 per cent for home railways. It is of some interest to carry the detailed comparison back to the point of February, 1938, when the industrial equity index was actually above that of December 29th at 72.5. Comparison cannot be exact, because at that time aircraft shares were not included. This, however, has little influence on the relative size of the departures from the figures then prevailing for individual groups. All the financial groups show falls on the period of almost five years, that for insurance being 19.9 points and that for investment trusts 11.9. Of fourteen industrial groups, half are up and half down, but there are only five changes of as much as 10 per cent and most are much less. Of the five, four are rises and only one, gas stocks, a fall, but the decline in oil shares is only just short of one-tenth. The only other sharp fall is in coal. Two of the largest rises are in industries which enjoy a secular trend, electrical equipment and motors, but the greatest is due to the shipping shortage.

Northern Ireland Conversion

The latest conversion is an offer of 3 per cent stock of Northern Ireland, repayable 1956-61, in conversion of £2,000,000 of Ulster $3\frac{1}{2}$ per cent stock falling due for redemption at par on April 1st. The new stock is offered at par so there is no turn, and the holder will presumably receive a flat 3 per cent for 18 years. Any stock not taken in conversion will be issued to the various funds under the control of the Northern Ireland Government, so that no question of underwriting or guarantee arises. The offer is perfectly straightforward and it is open until the end of the month. At the moment it was first made, namely the end of December, it did not appear attractive but, if the movement of the past few days in the funds and other trustee securities continues, the position may be different by January 30th. There is no need to reach a decision much before then, but, if it is decided to accept repayment in cash, the possibility of reinvesting now, rather than waiting until the end of March, should be borne in mind as the trend of quotations still appears to be upward.

Railway Stock Recovery

The week brought a burst of buying of home railway stocks, mainly equities and the preferred and deferred stocks, which arose from the splitting of ordinary shares. In face of the virtual stability of receipts under the existing arrangements with the Government, this rise can only reflect a belief that, in the past, the recovery prospects of the lines after the war had been underestimated. It is, of course, true, as will be seen from the following table,

that the yields to be obtained were, until recently, quite out of line with those on other industrial equities, and that even now they are relatively high. One reason for uncertainty about the future was purely political, namely, the question whether the lines should be taken over by the state and, if so, on what basis of compensation. It is difficult to find any sign that developments have occurred which would suggest a more favourable consideration of equity holders in this matter. The railways had been a depressed industry for long before the war, and, even in years of something approaching boom conditions, did not enjoy the prosperity which was theirs before road competition emerged. During the period of physical reconstruction after the war, there may, possibly, be very heavy

	High 1941	Jan. 6, 1942	Paid 1941	Earned 1941	Low-est 1942	Jan. 6, 1943	Yield Cols. 3 & 6
Gt. Western—							
Ordinary	43 $\frac{1}{2}$	45 $\frac{1}{2}$	4	5.0	39	59	6.93
1. M.S.—							
Ordinary	17 $\frac{1}{2}$	18 $\frac{1}{2}$	2	2.9	16 $\frac{1}{2}$	29 $\frac{1}{2}$	6.96
4% 1923 Pref.	53	52 $\frac{1}{2}$	4	11.6	50 $\frac{1}{2}$	64 $\frac{1}{2}$	6.37
1. N.E.—							
Defd.	1 $\frac{1}{2}$	2 $\frac{1}{2}$	...	...	1 $\frac{1}{2}$	5 $\frac{1}{2}$	...
Prefd.	3 $\frac{1}{2}$	3 $\frac{1}{2}$	...	...	2 $\frac{1}{2}$	11 $\frac{1}{2}$	...
4% 2nd Pref.	19 $\frac{1}{2}$	20 $\frac{1}{2}$	2 $\frac{1}{2}$	2.8	18 $\frac{1}{2}$	33 $\frac{1}{2}$	7.31
Southern—							
Defd.	15 $\frac{1}{2}$	16	1 $\frac{1}{2}$	1.8	14 $\frac{1}{2}$	24 $\frac{1}{2}$	7.48
Prefd.	65 $\frac{1}{2}$	64 $\frac{1}{2}$	5	6.6	61 $\frac{1}{2}$	76	6.69

loads of low paying traffic, but it is a fair guess that much even of this will be conveyed more cheaply by road. On any extended view, it seems probable that the heavy loads will tend to be less than in the decade 1929-39, because this country will be less free to concentrate upon products of the old staple industries, while every rise in the cost of railway operation will accelerate the movement to bring the labour to the heavy materials rather than the other way round. For twenty years, the roads have been cutting into passenger and light goods traffic. There is every reason to suppose that, before long, airways will relieve the railways, even in this comparatively small country, of long distance mail and parcel traffic and of small consignments of goods urgently required. Current quotations may be fully justified in the sense that at some time in the next quinquennium there will be something like a railway boom, from which the stockholder may, or may not, be allowed to benefit. On a long period view, there seems little justification for them.

Carreras Meeting

The Carreras meeting has been held, and, despite clear indications from influential shareholders, including some investment trusts, and ignoring the suggestions in the press for an amicable settlement, the chairman, Sir Edward Baron, used his votes to bar the re-election of Mr Codrington to the board, and incidentally to secure the election of his own candidate. It appears that all the members of the board not representing the Baron family supported the candidature of Mr Codrington, and there seems very little prospect that future meetings will be characterised by the harmony without which the smooth running of the enterprise may be placed in jeopardy. The main legal action, instituted by the board against the chairman, has yet to be heard, and no further action is likely until it has been decided, nor can the rights of the dispute be determined without much more information than is at present available. Whatever the result, the publicity attaching to the case will have served a useful purpose, if it helps to convince both investors and directors that due heed should always be paid to the conditions under which control is exercised. In this case, the shareholders have nothing to complain of in past results, and, so far as can be gathered from the comments at the meeting, the outlook is good. The result of the recent meeting was, however, the clearest possible indication that, should anything go amiss, complete agreement among the holders of "A" and "B" ordinary capital would fail to secure any adjustment. For all the evidence there is to the contrary, the holders of a majority of the 240,000 £1 ordinary shares could decide to wind up the company forthwith, and all that the £3,500,000 "A" and "B" holders would obtain would be their share in its break-up value, unless they were saved by the votes of £1,300,000 preference shares. It would be beneficial if, in the course of the impending action, a judicial opinion

could be expressed upon both the limitation of such dissociation between financial ownership and voting control, and the question of circumscribing the objects for which such voting control might be used in those cases where it was thought desirable to permit it.

Rhodesian Copper Outlook

The results of the Rhodesian copper companies for the year 1941-42 are now as fully known as the self-imposed limitations of the various boards permit. The information available gives no hint as to the character of the mining results obtained. At Roan Antelope, it is announced that a new method of mining will have to be adopted, and it is freely suggested that this means that this company at least will have to switch back from sub-level stoping, which is cheap, to the more normal process of cutting and filling, owing to the development of underground pressures. Does this mean that, either now or in the near future, the other mines of Northern Rhodesia will have to adopt the more expensive method, and, if so, what effect is this likely to have upon costs? For the period of EPT at 100 per cent, the effect on current profits will be nil. But the post-war refund will be affected and, insofar as the impost is relaxed, the weight of the change will fall on the shareholder. On the basis of the yields obtained pre-war, the Rhodesian copper mines are, perhaps, the cheapest source of the metal in the world. They may remain so even after the rise in costs, which the considerations mentioned above suggest as probable. A scramble for copper after the war is not improbable, and one would suppose that the price fixed will give at least some profit to the higher cost producers. Meanwhile, however, the shareholders' property is being used up to their own detriment. The least they are entitled to is the fullest information as to their properties consistent with a reasonable interpretation of the limits imposed by national security.

Lower Capital Issues

For the first time since the recession following the outbreak of war in 1939, total new capital issues, including those by permission to deal, declined over the twelve months ending December 31, 1942. The total of all classes of capital declined by £42,607,500 to £1,467,195,700, but that of Government issues by only £40,470,300 to £1,457,057,000. The total of the fourth quarter was, however, higher than that of the third quarter, when there was a particularly sharp recession in the total of Government loans. In the latest quarter, Government issues amounted to £327,871,340, against £299,967,300. Savings Certificates, 3 per cent Defence Bonds and $2\frac{1}{2}$ per cent National War Bonds all brought in higher yields, but there was a fall in the total of 3 per cent Savings Bonds of more than £10,000,000 to £84,192,542. The total of non-official issues was very slightly increased in the closing quarter of the year; but the new issue market continued for all practical purposes to be dominated by Government borrowing. The most important issue was that of a nominal half million of Powell Duffryn $4\frac{1}{2}$ per cent debenture stock. In the miscel-

The STOCK EXCHANGE

Investors are invited to apply for Government Loans through
THEIR STOCKBROKER

3% Savings Bonds 1960/70

$2\frac{1}{2}$ % National War Bonds 1951/53
are at present on sale @ 100.

There are also

3% Defence Bonds

of which no person may hold (or have an interest in) more than £1,000.

Your Stockbroker will give you advice and full details, and put forward your application FREE OF CHARGE.

A detailed list of Firms acting as Brokers may be obtained from:

The Secretary, Stock Exchange, London, E.C.2

laneous group, Imperial Cold Storage raised a nominal £375,000 of ordinary capital by issue to shareholders. Among public utilities, Associated Gas issued £388,938 deferred stock by permission to deal. The total of conversions, at £22,239,160, compares with £26,989,173 for the first nine months of the year and £20,724,069 for the third quarter. The increase is, of course, the direct result of the lifting of the Treasury ban last summer. More than £16,000,000 of the total was contributed by the Commonwealth of Australia conversion, nearly £3,000,000 by P. and O. Steam Navigation, and some £1,800,000 by Bowater's Newfoundland. The detailed analysis of new issues provided by the following tables suggests that demand for medium-term Government issues, at current yields and prices, is near if not past, its peak.

TABLE I—TOTAL BORROWING (MILLION £)

Calendar Years	British		Others	Total Home	Empire	Foreign	Total Issues	Indices
	Government	Home Corporations						
By Direct Public Offer (Old Basis)								
1928	85.9	14.9	164.8	263.6	63.2	42.3	369.1	1928-100
1940	1,070.8	Nil	1.4	1,072.2	0.2	Nil	1,072.4	290
1941	1,497.5	Nil	0.4	1,497.9	2.9	Nil	1,500.8	406
1942	1,457.1	Nil	0.3	1,457.4	0.4	Nil	1,457.8	398
Including "Permission to Deal" (New Basis)								
1935	88.0	54.9	183.9	326.8	29.3	1.2	357.3	1935-100
1940	1,070.8	Nil	16.6	1,087.4	1.3	Nil	1,088.7	304
1941	1,497.5	Nil	8.0	1,505.5	4.2	0.1	1,509.8	423
1942	1,457.1	Nil	9.2	1,466.3	0.8	0.1	1,467.2	410

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

Calendar Years	Old Basis				New Basis			
	1939	1940	1941	1942	1939	1940	1941	1942
Debentures	10.5	Nil	1.5	Nil	16.9	1.3	2.0	2.8
Preference	2.7	0.3	0.1	0.1	8.8	1.9	0.6	1.1
Ordinary	10.1	1.2	3.0	3.1	47.8	14.7	10.8	7.1
Total	23.3	1.5	4.6	3.2	73.5	17.9	13.4	11.0

TABLE III—ANALYSIS OF NEW CAPITAL APPLICATIONS (EXCLUDING CONVERSIONS)

	Whole Year (Old Basis)		Whole Year (New Basis)	
	1941	1942	1941	1942
British Govt. Loans	1,497,527,300	1,457,057,000	1,497,527,300	1,457,057,000
Foreign Govt. Loans	Nil	Nil	Nil	6,500
Corporation, County and Public Boards	Nil	Nil	Nil	1,960,000
Foreign Railways	Nil	Nil	9,800	10,500
Mines	2,973,200	Nil	3,928,500	168,000
Exploration, Financial, etc.	Nil	Nil	788,000	49,400
Estate and Land	Nil	Nil	159,000	210,000
Oil	Nil	Nil	Nil	104,300
Iron, Coal, Steel, etc.	93,200	Nil	4,903,900	2,409,600
Stores and Trading	Nil	Nil	56,300	178,300
Electric Light, Power and Telegraph	Nil	Nil	292,100	Nil
Gas and Water	Nil	Nil	569,800	751,100
Tramways and Buses	Nil	50,000	Nil	103,100
Hotels, Theatres, etc.	Nil	Nil	530,000	Nil
Shipping	Nil	Nil	Nil	1,581,700
Manufg. and Misc.	247,500	646,900	1,038,500	2,607,000
Total	1,500,841,200	1,457,753,900	1,509,803,200	1,467,195,700

Turner and Newall Investments

The full accounts of Turner and Newall for the year to September 30th last suggest that the decline in disclosed profits from £2,754,401 to £2,586,162, before tax—to which attention was drawn in a note in the preliminary statement in *The Economist* of December 19, 1942—is due to a rise in costs. It is not clear whether there has been any fall in turnover, but this does not appear probable. The company's balance sheet shows a rise in net liquid assets, excluding inter-company items, from £3,741,449 to £5,204,476. There is a slight decline in both debtors and creditors, but this is accompanied by a jump in the total of stock and work in progress from £1,970,730 to £2,662,058 and in net loans to subsidiaries from £948,461 to £2,259,136. The directors point out that the necessity for carrying exceptionally heavy stocks has forced the management to modify the datum line principle of valuing stocks which was introduced in September, 1937. Thus, the increase in stock value is in part due to the failure to

write down the total to datum value—there is, of course, a very considerable stock reserve already built up. The consolidated statement shows a rather smaller rise in net liquid assets from £4,800,155 to £5,298,914, while the rise in stocks and work in progress of the group amounts to some £900,000. As the chairman, Sir Samuel Turner, points out, the capital expenditure of the group was again checked last year by war considerations. Demand for all the varied products of the group appears to have been well maintained, while the growth of the war effort in India and the United States has especially favoured the subsidiaries in those countries. In the United States, there has been some difficulty in obtaining an adequate labour supply. The Rhodesian asbestos mines are now operating at maximum capacity and it is anticipated that this will continue throughout the current year. The concern is fortunate in that the expansion which is being engendered during the war is unlikely to become redundant when peace returns. Technical progress in industry should ensure a rising secular demand for the products of the group. In the immediate future, however, a considerable decline in demand for the building material group of products is very probable. The £1 ordinary stock, at 73s. ex dividend, yields £3 8s. 6d. per cent.

Harrods (BA) Results

The accounts of *Harrods (Buenos Aires)* for the year to August 31st last unfortunately fail to show gross income on a basis comparable with recent years. After estimated provision for EPT and after exchange loss which took more than £100,000 in the previous year, total profits are shown at £332,124 against £330,019. Since the concern received a dividend of £145,028, against £135,394, from its subsidiary *South American Stores*, due to the receipt from past profits of a dividend of £9,920 from its subsidiary, *Almacenes Argentinos*, it is clear that earnings of *Harrods (BA)* itself were no more than maintained. There was, however, no rise in charges against profits so that surplus earnings, before allocations to amortisation and obsolescence, amount to £15,631 against £5,466. This sum is fully absorbed by the transfer of £10,000 to buildings obsolescence and £5,000 to amortisation of premises as before, while contingencies receive £631 against £466. In view of the sharp increase in local taxation the latest results are satisfactory. They appear to owe something to greater exchange stability within the continent and, no doubt, a good deal to the rise in Argentine price levels. As with the controlling company, the profits of *South American Stores* and the main subsidiaries were narrowly maintained. The balance sheet shows a slight increase in surplus liquid assets, excluding inter-company items, from £1,021,438 to £1,087,307, while free reserves are reduced from £334,824 to £325,998. There is an increase of £50,000 in the loan to *South American Stores*. The rise of £90,000 in the exchange reserve to £291,000 is due to consolidation with the second exchange reserve fund previously deducted from stocks. Thus, there is a certain overstatement in the apparent increase in the stock figure from £658,427 to £962,179. There is still, unfortunately, no prospect of any payment on ordinary or deferred capital.

Apex (Trinidad) Accounts

The full accounts of Apex (Trinidad), whose preliminary statement was discussed in *The Economist* of December 26, 1942, indicate that, with the current transfer of £242,084 for amortisation of wells, 94 per cent of the original cost had been written off at September 30th last. Before arriving at disclosed profits of £676,746 against £586,329, £32,039 against £33,419 was written off plant, buildings and equipment. Total capital expenditure for the year was reduced from £287,325 to £257,030. The balance sheet shows that last year's increased activity has in no way strained the company's financial position. Net liquid assets are more than £50,000 higher at £469,563 against £411,592. Creditors and provisions have jumped nearly £100,000 to £163,570, but the loan of £50,000 has been eliminated. These changes have financed the transfer of £100,000 to tax reserve certificates and the rise in stocks from £196,137 to £234,182. Total fixed assets have now been written down to £784,667 against which general reserve amounts to £460,000. While there is little doubt that the scope of the company's business has been extended by the war, the development appears to have been sufficiently gradual not to strain the company's resources.

Industry and Trade

Royal Ordnance Factories

Sir Andrew Duncan had already replied in general terms in the House of Commons, last July, to some of the criticisms contained in the report of the Select Committee on National Expenditure about Royal Ordnance Factories. The Ministry of Supply, in a memorandum, published last week as the Select Committee's second report, goes into more detail. It denies the Committee's charge that the surplus capacity of ROFs was excessive, and point out that the particular factory which was alleged to have a surplus labour force of 6,000 no longer has any surplus. Indeed, labour wastage, which is presenting a serious problem, especially among women, is tending all the time to reduce the labour strength, and the question is one of how to keep up the supply rather than of how to transfer surplus labour. The Ministry shows that the rate of absenteeism has been steadily diminishing, and quotes some creditable figures as evidence—in the last eight months in the filling factories the rate was reduced from 12 per cent to 6.6 per cent for men and from 23.5 to 14.6 per cent for women. It is satisfactory to learn that uniform records are now available, and since absenteeism is a problem common to all war industries, it might be found suitable for an investigation into its causes to be carried out on a national basis, a task which some such body as the Industrial Health Research Board might properly undertake. It is also satisfactory to know that hours have been limited—in the vast majority of ROFs, men's hours have been reduced to 60 or less, and women's to 55 or less—and that systematic efforts are being made to upgrade labour and place workers in the jobs for which they are most suited. On the organisational side, the Ministry rejects the suggestion that responsibility for ROFs as a whole should be vested in one single person, but, in order to overcome the difficulties created by dual responsibility, the Director-General of Ordnance Factories (Filling) is to be given a separate administrative staff. Neither the Select Committee's original report, nor the Department's replies, make it easy for the layman to form any conclusion or to obtain a proper perspective of the organisation and efficiency of ROFs. The Select Committee naturally tended to concentrate on their shortcomings, and generalisation from the particular was inevitable; on the other hand, the Ministry appears to dismiss somewhat too lightly some of the very serious criticisms which the Committee had made.

Steel Supplies

The task of the iron and steel industry in 1943 will not be an easy one. During the past year, the reduction in American supplies has been almost completely offset by an expansion in home production; in recent months, the output of steel has probably been at a record rate. But although stocks of raw materials are reported to be still satisfactory, provision for adequate supplies is essential to the maintenance of steel production. So far as iron ore is concerned, there is no reason why the maintenance of low-grade domestic supplies should give rise to serious difficulties; moreover, imports of high-grade ore from North Africa may improve the position of the special steels section. One of the chief problems will probably be scrap. There was an increase in the rate of scrap collection last year, but a special effort will be needed to avoid a shortage this year. Mr George Hicks, Parliamentary Secretary of the Ministry of Works and Planning, has already announced that another 1,000,000 tons of scrap will be required; it can and must be secured. As important as the maintenance of steel production is the need for economy, for making available supplies go further. This is the task of the consumers of steel rather than of the producers. In the immediate future, Sir Charles Wright, formerly Steel Controller, will again be at the helm as Acting Controller in place of Sir John Duncanson, who has had to relinquish his post temporarily owing to illness.

Passenger Transport Facilities

The Ministry of War Transport appears to agree with the main conclusions and recommendations of the Select

Committee's report on passenger transport facilities; and in its reply, points out that steps are being taken, if they have not already been taken, to improve travelling facilities for war workers. The supply of new buses and spare parts is being increased during 1943. A fresh publicity drive is being launched to emphasise the important part played by transport workers in the war effort, as well as to bring home to the public the difficulties of bus undertakings in wartime and to appeal for maximum co-operation and consideration. The two Joint Industrial Councils of the industry have been invited to examine the problem of absenteeism among women bus conductresses and to make recommendations on how to reduce it. More women are to be trained for maintenance work and special courses for motor mechanics are being held at Government Training Centres and Emergency Training Establishments. Progress has been made on the staggering of working hours, and firms are being urged not to alter factory hours without first taking into account the transport problems involved. The Ministry's Regional Commissioners, when they are satisfied that local transport difficulties can be eased by staggering working hours, can take up the matter either direct with the firms, through the local Transport Consultative Committees or, if necessary, through the Regional Production Boards. The Select Committee had quoted instances of unnecessary cross-travelling by workers, and had urged that the Ministry of Labour should avoid this by directing workers to places nearer their homes, wherever possible. The Ministry of Transport reports that its Regional Commissioners are in constant touch with the Regional Controllers of Labour about preventing unnecessary cross-travelling; and that, moreover, the Ministry of Production has recently suggested that District Production Committees should interest themselves in the matter. If all these things have been done and are being done, they should help to ease the workers' transport difficulties. At the same time, the efficiency of transport services will inevitably vary from area to area, and it is essential that the problems should be kept under constant review by those responsible both on the spot and at the top.

Economising Tin

The loss of their Far Eastern sources of tin supplies a year ago compelled Great Britain and the United States to adopt drastic measures of economy and to increase production in other countries. But in view of the stocks held, the sources of supply still available and the scope for economy, a tin shortage, serious enough to hamper the war effort, seemed even then unlikely. Any fears of a serious shortage have now been largely dispelled. Apart from the success achieved in securing a bigger output from some countries, the United States has been able to curtail consumption drastically from about 100,000 tons in 1940 to 65,000 tons in 1941. According to the December issue of *Tin*, the monthly bulletin of the Tin Producers' Association, stocks of primary tin in the United States probably still amounted to no less than 120,000 tons at the end of last year, equivalent to nearly three years' requirements on the assumption that consumption can be cut to 40,000-45,000 tons a year without harmful effect. The belief that consumption can, in fact, be reduced to this level is supported by the big economies secured by the introduction in America of the continuous electrolytic process of coating tin-plate in place of the hot-dipping process. Not only does this process yield a saving in tin up to 50 per cent and more, but it is reported to be cheaper and to improve the quality of tin-plate. Apart from reasons of economy, Great Britain can hardly afford to ignore the new process, if the claims made for it are in accordance with the facts.

Vegetable Prices

The Ministry of Food's scheme for the control of prices and distribution of green vegetables is to begin on January 11th. The first news of the proposals came five or six weeks ago, and they were discussed in *The Economist* of November 21, 1942, on page 646. Under the *Green Vegetables (Maximum Prices) Order*, ceiling prices are fixed for growers, wholesalers and retailers, which take

into account services provided, transport costs, loss of weight through evaporation, and other factors. Although some of the vegetables concerned have hitherto been sold on a unit basis, the control measures necessitate price-fixing by weight. The retail prices per lb are as follows:—

Spring cabbage and spring greens, 6½d.; savoys, 5d.; drumhead cabbages, 4½d.; kales and sprouting broccoli, 4½d.; Brussels sprouts, 7½d.; sprout tops, 6½d.; cauliflower and broccoli, 7d.

It is emphasised that the prices are ceiling prices, and that they should fluctuate, as they have done normally. The trade will be faced with difficulties in dealing with weight prices, but provision has been made to ease them as far as possible. The prices will remain in force until the end of the first week in May, when it is expected that they will be revised to reflect normal seasonal trends, and in the light of experience which will have been gained.

* * *

Gas and Electricity

The Ministry of Fuel and Power is to be commended for lifting the black-out on the publication of statistics relating to the production of coal and to the consumption of coal in the manufacture of gas and electricity. The publication of these figures is an essential precondition of the success of the Ministry's "save fuel" campaign. The accompanying table shows for each month since April, 1941, the percentage change in the consumption of coal for conversion into gas and electricity. It reveals that, previous to the launching of the campaign, the rate of increase in con-

TREND OF GAS AND ELECTRICITY COAL CONSUMPTION

Percentage Increase Month by Month over the Previous Year

	Gas %	Electricity %
1941:—		
September	11.9	15.1
October	11.2	14.7
November	11.7	13.6
December	11.7	13.6
1942:—		
April	11.0	12.0
May	9.3	10.4
June	8.6	9.7
Battle for Fuel Begins		
July	6.5	7.2
August	5.3	6.6
September	3.0	5.6
October	1.3	3.0
November	1.8	4.1
December	2.2	1.6

sumption was substantial and that, since July last year, it has slowed down appreciably. But while the efforts made to secure a reduction in the consumption of gas and electricity have undoubtedly achieved a measure of success, the fact is that it remains above the previous year's level. In the case of electricity the conclusion seems justified that the increase in essential industrial consumption has more than offset the fall in domestic consumption. But since the proportion of total consumption used in industry is much smaller in gas than in electricity, the reduction in the domestic use of gas has probably been comparatively small.

* * *

Cotton Cloth Prices Raised

As a result of the increase in the wages of cotton weavers this week, the Ministry of Supply has issued the Control of the Cotton Industry (No. 39) Order, 1942, which makes several important changes in the provisions of No. 32 Order and provides for an increase in all controlled cloth prices. The new price list, in addition to taking account of the recent wages award, removes certain anomalies in the old schedule, under which inequalities existed between the prices of different classes of cloth. The wages advance has been adjusted by an increase in the appropriate margins and of the holidays with pay allowance from 2 per cent to 4 per cent. New allowances have also been granted for cloths with high picks, the use of reworded weft and by an extra progressive increase in the margins for wide cloths. The amendments do not affect old contracts; these must be carried out at the prices at which they were booked. It is estimated that as a result of the new Order, buyers of cloth will have to pay 2 to 3 per cent more than at the end of last year. There is no question at the present time of spinners obtaining an improvement in their margins, as the wages question in the spinning branch of the industry has not yet been settled.

Coal Export Railway Rebate

The Government seems to be contemplating a fundamental change in the rebate scheme which was applied to the coal export and some other selected traffics under the 1929 Local Government Act. Under that Act the derating fund at the rate of approximately £4 millions per annum granted to the railways was passed on to the extent of seven-tenths to the coal export trade, and between 1930 and 1939 the benefit accruing to the coal exporting districts averaged about £1.8 millions per annum, ranging from £1.2 millions in 1938, when the rebate fund was at its lowest, to nearly £2.4 millions in 1933. When the war broke out the rebate was 1½d. per ton, plus 26 per cent of the remainder of the carriage charges (or, when the charge was a toll, 31 per cent of such toll), but after the loss of the European and Mediterranean markets in the second half of 1940, and the consequent great reduction in the volume of exports, the rebate was raised to 1½d. per ton plus 75 per cent of the remainder of the carriage charges, or equivalent to between 1s. 6d. and 2s. per ton on exported coal, coke and patent fuel. One effect of the decline in the volume of exports has been a considerable increase in the rebate fund at the disposal of the railway companies, and during the recent annual revision proceedings of the Railway Rates Tribunal an intimation was given that it might become expedient to divert the rebate into the new fund created under the Coal Charges Order, where it would be available, after defraying certain administrative expenses, "for any purpose connected with the production or marketing of coal." It was complained by the exporting districts that such action would not merely defeat the original purpose of the rebate, but financially affect very unequally the exporting districts. For the time being, the Railway Rates Tribunal has authorised the continuance of the 1942 rebate rate, but it was suggested to the Tribunal by the Ministry of War Transport that the Government proposed to introduce legislation at an early date dealing with the Rebates Fund and the payment of rebates. It is regarded as probable, writes a correspondent, that in view of the fact that the Coal Charges Fund cannot cover the Government's commitments under the present form of control, the impending legislation will authorise the statutory change foreshadowed during the recent proceedings of the Railway Rates Tribunal.

Farmers and Food

How to secure improvements in farming efficiency was the keynote of Mr. Tom Williams' address to Suffolk farmers, farmworkers and landowners last Saturday. After congratulating the county on its past achievements, he called for renewed efforts and suggested practical ways of eliminating waste and increasing productivity, urging farmers to make full use of the facilities for technical guidance provided by the War Agricultural Committees and the Ministry of Agriculture. The prime objective for 1943, as many Government speakers on this subject have emphasised, must be to save shipping and to increase home production, especially of wheat, barley, potatoes and sugar beet—a crop in which Suffolk has long specialised. In agricultural as in industrial production, labour is the chief bottleneck and with the projected call-up of younger men, the number of women must be increased. The present strength of the Women's Land Army is 52,000, and substantial increases are planned. The Land Army is still the "Cinderella" of the women's services; conscripted women are not allowed to opt for it and the status, remuneration and conditions of service of Land Army girls in general compare unfavourably with those in other forms of national service. If women are to be attracted to agriculture, they should be put on a par with women in other Services. Mr. Williams also said that he hoped before the end of the year that new cottages, exclusively for rural workers, would be built. In view of the importance of improved housing conditions from the standpoint of increasing the farmworker's efficiency, it is to be hoped that the necessary building labour will be released for this purpose. From the other end Lord Woolton has forecast further restrictions in supplies in order to save shipping space, and the extension of points rationing. The Ministry is probably shortly going to add home-produced oats and barley to the national flour. This is sensible, but the Government might go further, by increasing the degree of wheat.

COMPANY MEETING

MUFULIRA COPPER MINES LIMITED

E.P.T. EXCEPTIONAL SEVERITY MR. A. CHESTER BEATTY ON GRAVE ANOMALIES

The thirteenth ordinary general meeting of the Mufulira Copper Mines Limited was held, on the 31st ultimo, in London.

Mr A. Chester Beatty (the chairman) presided.

The following is an extract from the statement by the chairman, which was circulated with the report and accounts for the year ended June 30, 1942:—

The accounts for the year ended June 30, 1942, show that after bringing into account an amount of £123,507, representing an adjustment of previous year's sales, and transferring £130,000 to replacements reserve the profit, before providing for taxation, is £1,811,203, as against £1,766,209 for the previous year.

£1,350,000 FOR TAXATION

The amount set aside in the appropriation account to meet the company's liability for taxation is £1,350,000. Of this about £1,150,000 represents the liability for taxation for the year under review. The balance of about £200,000 is mainly made up of adjustments in respect of tax liabilities for previous years, including, on the one hand, increased liabilities resulting from the increase in the rate of Northern Rhodesian income-tax and the imposition of excess profits tax in that territory, and also the liability in connection with the adjustment of £123,507 for previous year's sales, and, on the other hand, a credit of about £120,000, representing the relief which the company has now obtained under Section 13 of the Finance Act (No. 2) of 1940.

As a result of these various adjustments the amount available for distribution after bringing into account the amount brought forward from the previous year is £540,243. The directors have felt justified in paying this year a dividend of 2s. 3d. per share, less income-tax at the rate of 5s. in the £. The cost of this dividend is £412,499 net. In addition, the directors have transferred £50,000 to general reserve and the carry-forward has been reduced from £129,040 to £127,744.

This dividend of 2s. 3d. per share, which is a nominal distribution of 11½ per cent.,

represents in fact a return of approximately 8 per cent. on the capital employed in the business. This return, especially when it is considered that no dividend was paid last year, is quite inadequate as a return on a business of this nature, with its many risks and the wasting nature of its assets. In point of fact, owing to the exceptional severity of excess profits tax in the case of this company, to which I referred in my statement last year, the profits which we are allowed to retain and distribute are made on a production of copper equal to considerably less than 50 per cent. of the actual production during the year under review. This means that the copper produced in excess of the tonnage required to make our standard profit can be regarded virtually as a donation to the war effort by the shareholders (except to the extent that there may be a 20 per cent. refund after the war of the excess profits tax paid, less income-tax). This is a considerable contribution, both in cash by way of taxation and in metal, and one which shareholders are not called upon to make except in the case of mining concerns paying excess profits tax.

UNSATISFACTORY FEATURES

Unfortunately, there are further unsatisfactory features arising out of this situation. First, apart from making a free gift of some part of the copper production, as mentioned above, the company has been called upon to find cash in order to equip the property to produce much of the extra production required during the war. Some of this additional plant may be of value to the mine in normal times, but much of it may become redundant if and when the demand for copper falls, and to this extent it has to be regarded as a further contribution by the company (unless full relief were to be obtained under the Redundancy Clauses of the Tax Laws).

Secondly, the small amount of profit which the excess profits tax regulations permit the company to retain and distribute does not permit of the setting up of adequate cash reserves to protect the position of the company after the war, unless the shareholders are to forgo part or all of their dividends, which, as mentioned above, are already inadequate as a return on this class of investment.

Thirdly, even if it were possible to set up cash reserves in addition to paying a dividend, the company might be penalised in respect of these cash reserves by the

ruling which the Tax Commissioners are seeking to impose, to the effect that these reserves represent cash which is surplus to the requirements of the company and which therefore would fail to qualify for the statutory percentage, thus tending towards reducing the profit standard of the company for the year.

Fourthly, the Northern Rhodesian Government has imposed a 60 per cent. excess profits tax, and while in the main the Act is based on the provisions of the United Kingdom legislation, there is the important exception that no provision is made for the 20 per cent. post-war refund contained in the United Kingdom legislation. This is a point which we are, of course, trying to rectify.

Lastly, there is one other aspect of the taxation problem which is also shared by other companies registered in this country but operating in the colonies, and that is that owing to the absence of truly reciprocal reliefs it is possible for a company, when it has reached a certain standard of profits, to pay more than 100 per cent. taxation on profits in excess of that standard. In this event, the greater the profit earned the less is left for distribution to the shareholders by way of dividend. This too is a matter which is receiving our careful attention.

I think I have said enough to show you some of the difficulties under which this company and others in a similar position are labouring, and of the very handsome contribution being made by the shareholders towards the war effort.

Conditions at the mine remained satisfactory throughout the year, and the plant ran without interruption for the whole period. The extension of the Selkirk shaft to the 1,400-ft. level is complete, and development has been carried on at a rate sufficient to maintain our fully-developed ore reserves. Ventilation and drainage problems have continued to engage the attention of the management, and measures have been taken to improve air distribution and to increase pumping capacity.

Mr. W. E. Romig, a consulting mining engineer of wide experience, was engaged by the directors to visit the property and make a comprehensive report on the methods of mining the ore-bodies. He made detailed recommendations which were endorsed by the company's engineers and are now being carried into effect.

The report and accounts were adopted.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

A SHARP rise in *The Financial News* ordinary share index to a new high at 94.7 and an increase in turnover, as revealed by the total bargains marked, to the level of early November clearly reflect New Year conditions in the markets. While the rise was fairly general, persistent buying of gilt-edged and other high-grade securities, and a distinctly speculative bout of buying in the home rail market, overshadowed the improvement elsewhere. A total of 905 bargains marked, on the opening day of the week in the gilt-edged market, the highest recorded since the introduction of the record in July last, reflected the widespread nature of the buying, arising from the re-investment of year-end dividends and vesting moneys. Although in aggregate, the volume of business was not unduly large, stock was in short supply. Prices in consequence advanced sharply and steadily. Among Dominion issues to improve, Australian bonds were outstanding, while Corporation issues attracted a good demand. Although sufficient support was forthcoming to raise several Brazilian stocks,

the foreign bond market was quiet. Chilean loans improved, the 5 per cent issue of 1896 rising steadily. Conditions in the home rail market were revealed by the record figure of 2,237 bargains in the first two days of the week. Buying was generally indiscriminate, equities and junior preference stocks advancing under persistent buying pressure coupled with a shortage of stock, while prior charges were marked up steadily. In contrast, the foreign rail market appeared lifeless, although prices were well maintained.

The increase in turnover in the industrial market was less than in Funds and rails and was not accompanied by any marked advance in prices, although the trend was upward. Thus, brewery shares enjoyed a small but steady appreciation in quotations, but among tobacco shares only Carreras and Imps displayed firmness. In the motor and aircraft section, a fall of 1s. for Raleigh Cycle Holding contrasted with improvements for Leyland, Dennis Bros. and Thornycroft, among others. Colliery issues were prominent in a firm heavy industrial group, but gains were in all cases restricted to a few pence. Among textile shares, British Celanese was prominent with a rise of 10½d., but shipping shares were weak. Small but persistent gains were registered for stores issues, although Woolworth fell 1s. 6d., while in the miscellaneous section

Tate & Lyle, Murex, London Brick and Brazilian Traction enjoyed useful gains.

Apart from some quiet investment demand for Rand dividend-paying issues from the Cape, the kaffir market was quiet. Rubber shares were quietly maintained in the early part of the current week, quotations hardly moving. The end of last week, however, witnessed several falls, but United Sua Betong exceptionally advanced 1s. 6d. Tea shares, too, recovered from their earlier dullness, and displayed renewed strength early this week, New Dimbula rising 2s. The oil market was quiet. Leading issues

"FINANCIAL NEWS" INDICES

	Total Bargains in S.E. List †	Corres. Day 1941 \$	Security Indices
			30 Ord. shares* Int.†
1942			
Dec. 31.	4,004	3,328	93.7 134.3
1943			
Jan. 4.	7,205	3,859	94.1 134.5
" 5.	6,147	3,459	94.5 135.0
" 6.	6,353	3,305	94.7 135.2

* July 1, 1935=100. † 1928=100. 80 Ordinary shares, 1942: highest, 93.7 (Dec. 31); 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.

(Continued on page 58)

Finance

GOVERNMENT RETURNS

For the twelve days ended Dec. 31, 1942, total ordinary revenue was £82,347,000, against ordinary expenditure of £135,320,000, and issues to sinking funds of £85,000. Thus, including sinking fund allocations of £8,807,847, the deficit accrued since April 1st is £2,297,689,000, against £2,281,994,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1942-43	April 1 to Dec. 31, 1941	April 1 to Dec. 31, 1942	11 Days ended Dec. 31, 1941	12 Days ended Dec. 31, 1942
ORDINARY REVENUE					
Income Tax	913,000	326,905	407,513	16,475	30,535
Sur Tax	78,000	23,737	21,239	1,700	1,435
Estate, etc.	90,000	65,724	68,872	1,980	5,932
Duties	15,000	9,893	10,470	1,100	1,300
Stamps	425,000	15,334	20,485	370	637
N.D.C.	1,000	179,571	253,039	7,620	10,558
E.P.T.	1,000	277	320	10	...
Other Ind. Rev.	152,200	621,441	781,929	29,255	48,397
Total Ind. Rev.	1,522,000	1,221,568	1,766,598	52,132	82,847
Customs	438,295	271,265	343,429	7,615	10,360
Excise	366,705	242,400	317,190	12,700	18,400
Total Customs & Excise	805,000	513,665	660,619	20,315	28,760
Motor Duties	34,000	12,830	6,497	429	...
Canadian Govt. Contribution	225,000	...	224,719	...	4,735
P.O. (Net Receipts)	10,000	9,400	9,750	Dr. 600	Dr. 650
Wireless Licences	4,300	...	3,990	...	480
Crown Lands	800	710	720	40	40
Receipts from Sundry Loans	5,000	2,958	2,457	...	21
Miscellaneous Receipts	21,000	60,565	76,906	2,693	1,063
Total Ord. Rev.	2,627,100	1,221,568	1,766,598	52,132	82,847
SELF-BALANCING P.O. & Brdcast.	102,523	76,900	79,400	4,700	4,300
Total	2,729,623	1,298,468	1,845,998	56,832	87,148

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1942-43	April 1 to Dec. 31, 1941	April 1 to Dec. 31, 1942	11 Days ended Dec. 31, 1941	12 Days ended Dec. 31, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	221,758	254,322	1,660	2,004
Payments to N. Ireland	9,500	5,572	5,606	326	240
Other Cons. Fund Services	7,800	4,807	4,494	609	458
Total	342,300	232,137	264,422	2,595	2,702
Supply Services	495,320	326,324	379,059	15,207	18,061
Total Ord. Exp.	837,620	558,461	643,481	17,802	20,763
SELF-BALANCING P.O. & Brdcast.	102,523	76,900	79,400	4,700	4,300
Total	940,143	635,361	722,881	22,502	25,063

After increasing Exchequer balances by £163,688 to £2,842,176, the other operations for the week (no longer shown separately) raised the gross National Debt by £98,120,733 to £16,370 millions.

NET ISSUES (£ thousands)	400
NET RECEIPTS (£ thousands)	3,000

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Jan. 1st and Jan. 7th. (Figures in brackets are par of exchange.)

United States. \$ (4-80) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-80) 4-45-47; mail transfers 4-43-47½. Switzerland. Francs (5-29) 17-30-40. Sweden. Krona (18-159) T.T. 16-85-95; bank notes at Bank of England, 17-40 kr. 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) 99-80-100-20; mail transfers 99-80-100-30. Panama. 54-02-04; mail transfers 4-02-04½. Brazil. 83-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate);

MONTHLY CHANGES IN DEBT

NET INCREASES		NET REPAYMENTS	
Treasury Bills	87,230	Other Debt	171
Nat. Sav. Certs.	14,600	Ways and Means	68,790
3½% Def. Bond	6,957		
2½% Nat. War Bonds	14,217		
1941-42	21,000		
1951-52	21,000		
3% Savings Bonds	21,910		
1960-70	123,600		
1964-68	73,000		
Treasury Deposits	36,854		
Excess Profits Tax	404,376		68,961

FLOATING DEBT (£ millions)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1941					
Dec. 31	2,547-0	186-3	66-0	811-5	3610-8
Oct. 3	975-0	Not available			
" 10	975-0	"			
" 17	980-0	"			
" 24	990-0	"			
" 31	1000-0	1730-5	225-7	5-2	3794-4
Nov. 7	1010-0	Not available			
" 14	1020-0	"			
" 21	1030-0	"			
" 28	1040-0	1705-5	287-1	11-0	3932-2
Dec. 5	1045-0	Not available			
" 12	1045-0	"			
" 19	1045-0	"			
" 26	1045-0	"			
" 31	2,833-2	161-6	67-7	966-5	4029-0

TREASURY BILLS (£ millions)

Date of Tender	Amount		Average Rate of Allotment	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1942				
Jan. 2	75-0	157-8	75-0	20-1
Oct. 9	80-0	164-8	80-0	20-47
" 16	85-0	181-2	85-0	19-11
" 23	85-0	172-7	85-0	20-44
" 30	85-0	175-2	85-0	20-32
Nov. 6	85-0	185-3	85-0	20-45
" 13	85-0	170-7	85-0	20-60
" 20	85-0	178-6	85-0	20-49
" 27	80-0	169-0	80-0	21-44
Dec. 4	75-0	158-9	75-0	21-27
" 11	75-0	144-7	75-0	21-49
" 18	75-0	137-4	75-0	21-64
" 24	75-0	144-8	75-0	21-25
" 31	75-0	143-5	75-0	20-05

On Dec. 31st applications at 99 15s. per cent for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 41 per cent of the amount applied for, and applications at higher prices in full. Applications at 99 15s. 1d. for bills to be paid for on Monday were accepted in full. £75 millions of Treasury Bills are being offered on Jan. 8th. For the week ending Jan. 9th, the banks will be asked for Treasury deposits to a maximum amount of £65 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
Nov. 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
" 22	3,779	1,363	5,971	3,029
Jan. 5	3,495	1,375	3,705	8,276
Totals to date	677,970	520,052	951,470	737,596

* 162 weeks. † 105 weeks. ‡ 65 weeks.
Including series 1951-53. || Including all Series.
Interest free loans received by the Treasury up to Jan. 5th amounted to a total value of £53,334,727. Up to Dec. 31st, principal of Savings Certificates to the amount of £91,822,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Jan. 1st and Jan. 7th:

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½ d. Belgian Congo. Francs 176½-1. China. National \$ 2½-3½ d.

Special Accounts are in force for Chile, 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 Jan. 1st and Jan. 7th:—Bank rate 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

JANUARY 6, 1943
ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt	11,015,100
In Circulation	920,024,687	Other Govt.	937,419,953
In Bank, Department	30,217,031	Securities	804,135
		Other Secs.	760,812
		Silver Coin	...
		Am't. of Fid. Issue	950,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
			950,241,718

BANKING DEPARTMENT

£		£	
Props. Capital	14,553,000	Govt. Secs.	197,553,088
Reserves	3,328,582	Other Secs.	...
Public Depts.	7,272,975	Discounts & Advances	16,725,240
		Securities	20,416,558
Other Depts.	157,625,413		
Other Assets	82,492,138	Notes	37,141,798
		Gold & Silver Coin	30,217,031
			560,191
			265,272,108

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

COMPARATIVE ANALYSIS

	1942				1943
	Jan. 7	Dec. 23	Dec. 30	Jan. 6	
Issue Dept.					
Notes in circulation	749-8	920-6	923-4	920-0	
Notes in banking department	30-4	29-7	26-8	30-2	
Government debt and securities*	778-3	947-9	947-9	948-4	
Other securities	1-7	1-3	1-3	0-8	
Silver Coin	0-0	0-8	0-8	0-8	
Gold, valued at s. per fine oz.	0-2	0-2	0-2	0-2	
Deposits	168-00	168-00	168-00	168-00	
Public	9-6	4-1	9-0	7-3	
Bankers'	155-7	145-4	223-4	157-6	
Others	54-8	48-0	48-8	82-5	
Total	220-1	197-5	281-2	247-4	
Banking Dept. Secs.					
Government	176-9	160-8	242-2	197-4	
Discounts, etc.	6-4	3-5	3-5	16-7	
Other	24-1	20-4	25-8	20-4	
Total	207-4	184-7	271-5	234-5	
Banking depart. res.	30-7	30-6	27-7	30-8	
" Proportion "	13-9	15-4	9-8	12-4	

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £880 millions to £950 millions on December 1, 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	Two Months d.		Date	Two Months d.	
	Jan. 1	Jan. 2		Jan. 1	Jan. 2
1942—			1942—		
Dec. 17	23½	23½	Dec. 29	23½	23½
" 18	23½	23½	" 30	23½	23½
" 21	23½	23½	" 31	23½	23½
" 22	23½	23½	1943—		
" 23	23½	23½	Jan. 4	23½	23½
" 23	23½	23½	" 5	23½	23½
" 23	23½	23½	" 6	23½	23½
" 28	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, 1-1½%; 3 months, 1-1½%; Day-to-day money, 1-1½%. Short Loans, Bank deposit rates 1½%. Discount deposit at 1%; at notice 1½%.

NEW YORK EXCHANGE RATES

New York on	Dec. 30		Jan. 2		Jan. 5		Cent
	Dec. 30	Dec. 31	Jan. 2	Jan. 4	Jan. 5	Jan. 6	
Cables	403½	403½	403½	403½	403½	403½	403½
London	88-375	88-500	88-625	87-810	88-000	88-000	88-000
Montreal	23-33½	23-33½	23-33½	23-33½	23-33½	23-33½	23-33½
Zurich	23-58	23-58	23-58	23-58	23-58	23-58	23-58
B. Aires	5-18	5-18	5-18	5-18	5-18	5-18	5-18
Rio	5-18	5-18	5-18	5-18	5-18	5-18	5-18

* Official rate 29-78.

† Free rate 37-00.

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 Oct. 1st to Dec. 31st, 1942, compared with the corresponding Quarter of the preceding Year.				Estimate for the Year 1942-43	Period from April 1st to Dec. 31st, 1942, compared with the corresponding Period of the preceding Year.			
	Quarter ending Dec. 31st, 1941.	Quarter ending Dec. 31st, 1942.	Increase.	Decrease.		Period ending Dec. 31st, 1941.	Period ending Dec. 31st, 1942.	Increase.	Decrease.
ORDINARY REVENUE.									
Inland Revenue—									
Income Tax	149,388,000	133,659,000	...	15,729,000	913,000,000	326,905,000	407,513,000	80,608,000	...

OVERSEAS BANK RETURNS

RESERVE BANK OF INDIA

Million rupees

	Dec. 31, 1941	Dec. 31, 1942	Dec. 31, 1943	Dec. 31, 1944
Assets				
Gold coin & bullion	141	141	141	141
Rupee coin	340	170	183	126
Balances abroad	532	437	473	164
Reserve funds	2,176	5,438	5,998	5,928
Govt. deposits	415	1,324	1,324	1,324
Investments	85	60	60	60
Liabilities				
Notes in circulation	3,076	5,378	5,391	5,532
Deposits	199	19	255	265
Banks	366	647	615	509
Reserve ratio	77.5%	72.3%	73.2%	74.2%

(Continued from page 55)

were generally higher, but little interest was shown in the maintenance of the Shell interim. Trinidad issues were quietly firm.

New York

CONSIDERABLE re-investment demand outweighed the effect of active tax selling on Wall Street at the close of the year, occasioning a general, if small, advance. The new year opened on a less active note, but further re-investment buying maintained prices, while switching between low-priced issues accounted for a considerable turnover. Some profit-taking among leading issues left prices little changed.

Total share dealings: Dec. 31, 1,051,000; Jan. 2, 260,000; Jan. 4, 620,000; Jan. 5, 674,000; Jan. 6, 554,000.

* Two-hour session only.

U.S. FEDERAL RESERVE—Million \$'s

	Dec. 31, 1941	Dec. 31, 1942	Dec. 31, 1943	Dec. 31, 1944
Assets				
Gold cert. on hand and due from Treasury	20,515	20,561	20,540	20,523
Total reserves	20,743	20,878	20,896	20,889
Total cash resources	214	296	324	334
Total U.S. Govt. securities	2,543	5,537	5,621	5,989
Total bills and notes	2,267	5,561	5,651	6,008
Total resources	24,336	28,440	28,468	28,769
Liabilities				
F.R. notes in circulation	8,202	12,019	12,155	12,188
Excess int. bank res.	3,060	2,640	2,190	1,660
Mr. bank res. dep.	12,447	13,517	13,129	12,788
Govt. deposits	908	13	497	8,411
Total deposits	14,777	14,693	14,871	14,915
Total liabilities	24,336	28,440	28,468	28,769
Reserve ratio	90.3%	78.2%	77.5%	77.1%
Bank and Treasury				
Monetary gold stock	22,750	22,744	22,735	22,726
Treasury & bank currency	3,244	3,440	3,569	3,628
Liabilities				
Money in circulation	11,224	15,092	15,329	15,407
Treasury cash and dep.	3,103	2,197	2,679	3,095

STANDARD STATISTICS INDICES (1935-36=100)

WEEKLY AVERAGES

	Low	High	Dec. 16, 1942	Dec. 23, 1942	Dec. 30, 1942
447 Industrials	62.4	77.5	78.5	80.0	80.3
32 Rails	58.4	75.4	68.5	69.7	70.5
40 Utilities	55.1	67.4	64.9	64.9	65.7
419 Stocks	60.8	75.3	75.6	77.0	77.4
Av. yield 2 1/2%	6.40	5.74	5.55	5.43	5.42

* 50 Common Stocks. (a) Nov. 4, (b) Dec. 24, (c) Nov. 18.

DAILY AVERAGE OF 50 COMMON STOCKS

	Dec. 24	Dec. 25	Dec. 26	Dec. 28	Dec. 29	Dec. 30
98.8	Closed	99.0	98.0	98.0	99.0	99.0

AUSTRALIAN COMMONWEALTH BANK—Million £'s

	Nov. 3, 1941	Oct. 5, 1942	Oct. 12, 1943	Nov. 2, 1944
Assets				
Gold and English ster.	18.96	23.11	29.11	29.83
Other coin, bullion, etc.	6.48	8.29	8.69	8.64
Call money, London	31.04	39.63	45.72	46.73
Securities and Treas. bills	65.67	139.27	140.37	146.21
Discounts and advances	19.98	22.23	21.80	22.63
Liabilities				
Notes issued	73.86	112.61	113.11	114.85
Deposits, etc.	111.00	152.80	159.69	163.48

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

	Oct. 20, 1941	Oct. 5, 1942	Oct. 12, 1943	Oct. 19, 1944
Assets				
Gold and ster. exch.	17.40	28.94	29.15	30.20
Advances to State	19.90	27.46	27.84	26.96
Investments	3.84	4.15	4.15	4.15
Liabilities				
Bank notes	22.21	26.92	27.46	27.29
Deposits	17.40	28.94	29.15	30.20
Reserve to sight funds	13.25	48.50	48.50	50.00

Capital Issues

	Week ending Jan. 9, 1943	Nominal Capital	Conversions	New Money
Particulars of Government issues appear on page 56.				
Year				
1942	1,515,921,468	1,468,062,723		
1941	1,565,530,589	1,511,109,307		

	Year	U.K.	Brit. Emp.	Foreign
1942	1,515,921,468	714,216	78,315	723,397
1941	1,565,530,589	4,206,135	70,758	70,758

Nature of Borrowing (Conv. Excl.)

	Year	Deb.	Prof.	Ord.
1942	1,459,655,716	1,128,112	7,068,895	
1941	1,499,450,074	576,659	11,082,574	

* Includes Government issues to Dec. 29, 1942, only.

* Above figures include all new capital in which permission to deal has been granted.

COMMODITY AND INDUSTRY NEWS

Leather Control.—The Minister of Supply has made the Control of Leather (No. 4) Order (S.R. and O., No. 2610), 1942, by which he has taken fuller powers to control supplies of leather capable of being used for the bottoms of footwear. The Order, which came into force on January 1, 1943, makes the usage and consumption of bottom leather by footwear manufacturers subject to licence.

Control of Flax.—The Minister of Supply has made the Control of Flax (No. 16) Order relating to the control of flax, the effect of which is to revoke the schedule of maximum prices of dry spun flax yarns which has been in force since February 20, 1941, and to bring into operation a new schedule.

Fuel Economy.—In view of the Fuel Economy Campaign, the Ministry of Food recently appointed Mr. F. B. Kerridge Director of Fuel Supplies, with responsibility for allocating available supplies of fuel to the food industry, and for ensuring the utmost economy in its consumption. Prior to his appointment, Mr. Kerridge was an assistant inspector in the Armaments Branch of the Ministry of Supply, and was previously one of His Majesty's Inspectors of Mines.

Laundry Charges.—The Board of Trade, after consultation with the Central Price Regulation Committee, have made the Laundry (Maximum Charges) (No. 6) Order (S.R. and O., 1942, No. 2614) permitting laundries throughout Great Britain to increase their present war surcharge on civilian work by a halfpenny in the shilling. Under previous Orders the permitted increase on pre-war charges varies in different parts of the country, and where the present surcharge is 10 per cent or 20 per cent the laundries may calculate the new increase as 5 per cent so as to arrive at a manageable figure. This increase has been allowed in order to cover a recent rise in wages in the laundry trade.

Officers' Uniforms.—The Board of Trade, after consultation with the Control Price Regulation Committee, have made the Uniforms (Retail Bespoke) (Maximum Prices) Order (S.R. and O., 1942, No. 2556), controlling the price of officers' uniforms made by bespoke tailors from PA cloth, including for the first time uniforms of officers of the Auxiliary Territorial Service and the Women's Auxiliary Air Force. This Order revokes the Uniforms (Maximum Prices) Order (S.R. and O., 1942, No. 1289) made last July. The new Order follows the previous one in laying down minimum specifications, and requires all bespoke tailors working to them and using the Government cloth (known as PA cloth) to fix their prices by adding 5 per cent to their cost of production and sale, provided they do not exceed the over-riding maxima (exclusive of purchase tax) laid down in Schedules to the Order. Under the new Order maximum prices (exclusive of purchase tax) are laid down for Army Service dress and greatcoats, Royal Air Force tunics and trousers and greatcoats, and ATS and WAAF jackets, skirts and greatcoats.

Utility Furniture.—Utility furniture is discussed in a note on page 40. The following are the units required for each article, with its maximum retail price:—Wardrobe (4 ft.), 12 units (£14 11s. to £17 4s. 9d.); wardrobe (3 ft.), 10 (£13 2s. 9d. to £14); dressing chest (3 ft.), 8 (£10 10s. to £9 2s.); dressing chest (2 ft. 6 in.), 6 (£9 4s. to £4 3s. 9d.); tall-boy, 8 (£10 2s. 6d. to £9 5s. 3d.); bedstead (4 ft. 6 in. and 4 ft.), 5 (£4 11s. to £3 8s. 6d.); bedstead (3 ft.), 3 (£2 19s. 6d. to £2 5s.); sideboard, 8 (£10 7s. and £7 6s. 6d.); dining table, 6 (£5 15s. 3d. and £4 13s. 6d.); dining chair, 1 (£1 10s. to £1 3s.); kitchen table (4 ft. by 3 ft.), 6 (£3 8s. 6d.); kitchen table (3 ft. by 3 ft.), 2 (£2 4s. to £1 14s. 3d. and 12s. 6d.); kitchen cabinet, 8 (£11 10s. 6d.); fireside chair, 5 (£2 10s. 6d. and

£2 9s.); arm chair, 6 (£6 10s.); bed chair, 7 (£3 19s. 6d.); divan (3 ft. and 2 ft. 6 in.), 8 (£6 3s. 9d. and £5 13s. 6d.); shelves, 3 (£1 12s.); occasional table, 3 (£1 12s. 3d.); fender curb, 1 (17s. to 14s. 3d.); and, obtainable only with special permission, a bed settee, 15 (£13 4s.). Nursery furniture is obtainable without permit. The price of convertible high chairs is £2 5s. 6d., high chairs £1 10s. low chairs £1 1s. 9d., cots £2 9s. 9d. and playpens £1 19s. 6d.

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

	Dec. 31, 1942	Jan. 1, 1943	Jan. 4, 1943	Jan. 5, 1943	Jan. 6, 1943
Crops	119.6	119.6	119.6	119.5	119.4
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	143.7	143.7	143.7	143.7	143.6
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	175.0

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937	Aug. 31, 1939	Dec. 31, 1941	Dec. 31, 1942	Dec. 29, 1944
Cereals and Meat	93.0	66.9	104.9	106.2	108.0
Other Foods	70.4	61.1	98.7	104.4	104.4
Textiles	74.2	54.3	94.4	94.2	92.3
Minerals	113.2	95.4	130.7	137.2	137.2
Miscellaneous	87.0	77.6	114.8	123.8	123.8
Complete Index	87.2	70.3	108.5	112.7	112.7
1919=100	119.9	98.8	149.3	155.0	155.0

* Highest level reached during 1932-37 recovery.

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.														
Prices, Year 1941		Prices, Year 1942		Name of Security	Price, Dec. 22, 1942	Price, Dec. 31, 1942	Yield, Dec. 31, 1942	Prices, Year 1942		Last Two Dividends	Name of Security	Price, Dec. 22, 1942	Price, Dec. 31, 1942	Yield, Dec. 31, 1942
High	Low	High	Low					High	Low					
British Funds														
82 1/2	76 1/2	83 1/2	81	Consols 2 1/2% (after 1957)	81 1/2	82 1/2	4 1/2 s. d.	48/9	41/3	7 b	31 a	48/3	48/6	4 10 6
113 1/2	110	113 1/2	109 1/2	Consols 4% (after 1957)	111 1/2	110 1/2	3 12 5/7	52/-	41/10 1/2	11 1/2 b	31 a	49/6	49/6	6 1 9
100	98 1/2	101 1/2	99 1/2	Conv. 2 1/2% 1944-45	100 1/2	100 1/2	2 0 0	32 3/4	25/-	13 1/2 b	13 1/2 b	28/9	28/9	3 9 6 1/2
100 1/2	98 1/2	101 1/2	99 1/2	Conv. 2 1/2% 1944-45	100 1/2	100 1/2	1 2 9 6	25 1/2	18 1/2	7 c	3 a	23/6	23/6	6 13 6
103 1/2	101 1/2	104 1/2	102 1/2	Conv. 3 1/2% 1948-53	103 1/2	103 1/2	3 2 9 9	31/9	20/-	6 b	4 a	22/6	22/6	6 12 6
103 1/2	101 1/2	104 1/2	102 1/2	Conv. 3 1/2% (after 1961)	106 1/2	106 1/2	3 2 9 9	32/-	25 7/8	7 c	15 b	30/3	30/3	7 6 6
103 1/2	101 1/2	104 1/2	102 1/2	Conv. 5% 1944-64	103 1/2	103 1/2	2 17 6	51/3	41/3	12 1/2 a	14 b	49/6	49/6	2 12 6 1/2
103 1/2	101 1/2	104 1/2	102 1/2	Funding 3 1/2% 1956-61	96 1/2	96 1/2	2 23 9	37/6	31/-	4 a	6 b	35/3	34/9	5 15 0
103 1/2	101 1/2	104 1/2	102 1/2	Funding 3 1/2% 1952-57	100 1/2	101 1/2	2 18 6	8 9 1/2	5/-	Nil c	5 a	8 6	8 7 1/2	5 15 4
103 1/2	101 1/2	104 1/2	102 1/2	Funding 3 1/2% 1959-69	101 1/2	101 1/2	2 19 0	26 1/2	21/-	2 1/2 b	4 b	25/9	26/-	6 3 0
103 1/2	101 1/2	104 1/2	102 1/2	Funding 4% 1960-90	113 1/2	113 1/2	2 2 0	18/9	15 1/2	6 b	4 a	18/-	18/-	5 11 0
103 1/2	101 1/2	104 1/2	102 1/2	Nat. Def. 2 1/2% 1944-48	101 1/2	102 1/2	2 15 8			Nil c	Nil c	14/6	14/6	Nil
103 1/2	101 1/2	104 1/2	102 1/2	Nat. Def. 3 1/2% 1945-58	101 1/2	101 1/2	2 4 0	16/10 1/2	6/3	Nil c	Nil c	16/10 1/2	16/10 1/2	Nil
103 1/2	101 1/2	104 1/2	102 1/2	War Bonds 2 1/2% 1945-48	100 1/2	101 1/2	2 17 6	43/6	33/6	5 b	31 a	45/-	45/-	3 6 9
103 1/2	101 1/2	104 1/2	102 1/2	Savings Bds. 3% 1955-65	101 1/2	101 1/2	2 18 6 1/2	45/9	31/-	2 1/2 a	5 b	16/3	16/-	3 15 0
103 1/2	101 1/2	104 1/2	102 1/2	Victory Bonds 4%	114 1/2	114 1/2	2 27 0	17/10 1/2	2/3	Nil c	3 c	31/10 1/2	32/3 1/2	4 13 0
103 1/2	101 1/2	104 1/2	102 1/2	War Loan 3% 1955-59	104 1/2	105 1/2	3 6 8 1/2	35/6	22/9	7 1/2 c	7 1/2 c			
103 1/2	101 1/2	104 1/2	102 1/2	War Loan 3 1/2% aft. 1952	96 1/2	97 1/2	3 1 8	78/-	71/3	10 b	5 a	75/6	76/-	3 19 0
103 1/2	101 1/2	104 1/2	102 1/2	Local Loans 3%	99 1/2	99 1/2	3 1 3	25/-	20/9	7 1/2 a	12 1/2 b	24/-	24/-	4 3 4
103 1/2	101 1/2	104 1/2	102 1/2	Redemption 3% 1933-53	102 1/2	102 1/2	2 15 4	46/9	37/6	10 c	10 c	45/-	45/-	4 8 9
103 1/2	101 1/2	104 1/2	102 1/2	Dorm. & Col. Govts.						17 1/2 c	17 1/2 c	86/-	86/-	4 1 3
103 1/2	101 1/2	104 1/2	102 1/2	Australia 5% 1945-75	101 1/2	101 1/2	4 5 6							
103 1/2	101 1/2	104 1/2	102 1/2	New Zealand 5% 1946	111 1/2	110 1/2	3 7 5	42/1 1/2	34/6	5 b	3 a	16/6	16/6	Nil
103 1/2	101 1/2	104 1/2	102 1/2	Nigeria 5% 1950-60	101 1/2	101 1/2		18/-	12 1/2	4 1/2 b	11 c	32/6	32/6	4 2 0
103 1/2	101 1/2	104 1/2	102 1/2	Corporation Stocks										
103 1/2	101 1/2	104 1/2	102 1/2	Birmingham 5% 1946-56	107 1/2	107 1/2	2 14 3	33/-	29/4 1/2	5 1/2 b	23 a	40/-	40/-	4 0 0
103 1/2	101 1/2	104 1/2	102 1/2	L.C.C. 5% 1954-54	100 1/2	100 1/2	3 2 6	40/4 1/2	37/4 1/2	5 1/2 b	3 a	41/-	41/-	3 18 6
103 1/2	101 1/2	104 1/2	102 1/2	Liverpool 5% 1954-62	105 1/2	105 1/2	3 0 8	21/9	15/-	10 c	10 c	19/9	20/3	2 9 3
103 1/2	101 1/2	104 1/2	102 1/2	Manchester 5% 1954-62	100 1/2	100 1/2	4 8 3	25/9	20/11 1/2	7 1/2 c	7 1/2 c	23/3	23/3	6 11 0
103 1/2	101 1/2	104 1/2	102 1/2	Foreign Governments										
103 1/2	101 1/2	104 1/2	102 1/2	Argentina 4 1/2% Stg. Bds.	102 1/2	102 1/2	3 19 4 1/2	14/9	9/3	6 b	4 a	17/10 1/2	17/10 1/2	4 14 0 1/2
103 1/2	101 1/2	104 1/2	102 1/2	Brazil 5% Funding 1914	34 1/2	32 1/2	4 0 1/2	19/3	11/9	110 c	78 c	31/6	31/6	3 16 0
103 1/2	101 1/2	104 1/2	102 1/2	Chile 6% (1929)	99 1/2	102 1/2	3 18 5	32/6	24/9	15 1/2 b	17 1/2 b	18/3 1/2	18/3	8 18 0
103 1/2	101 1/2	104 1/2	102 1/2	Egypt Unified 4%	89 1/2	89 1/2	3 7 0	76/3	65/-	2 1/2 b	12 1/2 b	72/6	72/6	4 2 9
103 1/2	101 1/2	104 1/2	102 1/2	Portuguese 5%	57 1/2	57 1/2	6 19 3	39/3	29/10 1/2	17 1/2 b	110 a	38/6	38/6	2 5 0 1/2
103 1/2	101 1/2	104 1/2	102 1/2	Spanish 4%				106/3	82/6	20 c	20 c	100/-	105/-	3 16 0
Shipping														
103 1/2	101 1/2	104 1/2	102 1/2	Canard Ord. £1	21/3	21/3		23/-	13/3	Nil c	Nil c	24/3	24/3	4 19 0
103 1/2	101 1/2	104 1/2	102 1/2	Canard Ord. £1	24/3	24/3		25/9	21/6	6 c	6 c	31/6	31/6	5 2 0 1/2
103 1/2	101 1/2	104 1/2	102 1/2	P. & O. Def. £1	25/-	24/6		26/3	25/3	5 c	5 c	25/-	24/6	5 0 0
103 1/2	101 1/2	104 1/2	102 1/2	Royal Mail Lines Ord. £1	19/-	19/-		26/11	20/7	5 c	5 c	19/-	19/-	5 5 0
103 1/2	101 1/2	104 1/2	102 1/2	United Castle Ord. £1				21/11	16/-	5 c	5 c			
103 1/2	101 1/2	104 1/2	102 1/2	Tea and Rubber										
103 1/2	101 1/2	104 1/2	102 1/2	Allied Sumatra Rbr. £1	8/-	8/-		9/3	3/9	4 c	Nil c	13/9	13/9	2 18 0
103 1/2	101 1/2	104 1/2	102 1/2	Anglo-Dutch of Java £1	35/6	35/6		15/3	6/-	6 c	2 c	37/6	37/6	5 8 0
103 1/2	101 1/2	104 1/2	102 1/2	Joko (Assam) Tea £1	19/9	19/9		37/6	24/6	2 1/2 a	7 b	19/9	19/9	11 8 6
103 1/2	101 1/2	104 1/2	102 1/2	London Asiatic Rbr. 2/-	17/9	17/9		21/4	9/0	4 a	6 b	18/3	18/3	6 9
103 1/2	101 1/2	104 1/2	102 1/2	Rubber Pltns. Trust £1	17/9	17/9		8/10	10 c	3 c	Nil c	17/9	17/9	11 8 6
103 1/2	101 1/2	104 1/2	102 1/2	United Serdar Rbr. 2/-	17/9	17/9		9d.	9d.	9 c	Nil c	17/9	17/9	11 8 6
103 1/2	101 1/2	104 1/2	102 1/2	Oil										
103 1/2	101 1/2	104 1/2	102 1/2	Anglo-Iranian Ord. £1	78/9	79/4 1/2		80/7 1/2	34/4 1/2	7 1/2 c	7 1/2 c	56/3	58 1/4	1 18 6
103 1/2	101 1/2	104 1/2	102 1/2	Burmah Oil Ord. £1	56/3	58 1/4		60/-	27/6	7 1/2 b	2 1/2 a	65/3	65/3	3 8 0
103 1/2	101 1/2	104 1/2	102 1/2	Shell Transport Ord. £1	65/4	66/1		69/4 1/2	34/4 1/2	12 1/2 b	7 1/2 a	65/4	66/1	1 10 0 1/2
103 1/2	101 1/2	104 1/2	102 1/2	Trinidad Leaseholds £1	75/-	75/-		76/3	63/5 1/2	10 b	5 a	75/-	75/-	4 0 0
103 1/2	101 1/2	104 1/2	102 1/2	Miscellaneous										
103 1/2	101 1/2	104 1/2	102 1/2	Assoc. P. Cement Ord. £1	55/-	55/-		58/9	42/-	6 1/2 b	28 a	55/-	55/-	3 5 6
103 1/2	101 1/2	104 1/2	102 1/2	Barker (John) Ord. £1	58/-	58/-		55/6	35/7 1/2	10 c	10 c	58/-	58/-	3 12 6
103 1/2	101 1/2	104 1/2	102 1/2	British Aluminium £1	49/-	49/6		40/6	30/6	24 c	24 c	49/-	49/6	4 0 3
103 1/2	101 1/2	104 1/2	102 1/2	Brit.-Amer. Tobacco £1	97/6	100/-		50/3	42/3	5 b	3 b	97/6	100/-	2 18 0 1/2
103 1/2	101 1/2	104 1/2	102 1/2	British Oxygen Ord. £1	70/6	70/6		75/3	64/-	7 1/2 c	7 1/2 c	70/6	70/6	4 0 0
103 1/2	101 1/2	104 1/2	102 1/2	Cable & Wyr. Hdg. Stk.	117/6	117/6		77 1/2	47	4 c	4 c	117/6	117/6	4 13 3
103 1/2	101 1/2	104 1/2	102 1/2	Carreras 'A' Ord. £1	34/3	35/6		126/3	97/6	12 1/2 a	15 b	34/3	35/6	4 0 0
103 1/2	101 1/2	104 1/2	102 1/2	Dunlop Rubber Ord. £1	19/-	20/3		20/9	13/3	6 c	6 c	19/-	20/3	2 19 0
103 1/2	101 1/2	104 1/2	102 1/2	Flec. & Mus. Ind. 10/-	25/-	25/-		30/3	22/-	12 1/2 a	12 1/2 a	25/-	25/-	4 6 0
103 1/2	101 1/2	104 1/2	102 1/2	Gestetner (D) 5/-	36/3	36/6		31/3	25 c	5 c	5 c	36/3	36/6	4 7 9
103 1/2	101 1/2	104 1/2	102 1/2	Harrisons & Crosfield £1	7 1/2	7 1/2		71 1/2	5 1/2	5 b	5 a	7 1/2	7 1/2	4 8 0 1/2
103 1/2	101 1/2	104 1/2	102 1/2	Imperial Chemical Ord. £1	34/3	34/3		37/6	31/3	5 1/2 b	5 1/2 b	34/3	34/3	4 9 0
103 1/2	101 1/2	104 1/2	102 1/2	Imperial Tobacco Ord. £1	34/3	34/3		37/6	31/3	5 1/2 b	5 1/2 b	34/3	34/3	4 9 0
103 1/2	101 1/2	104 1/2	102 1/2	International Nickel n.p.	34/3	34/3		37/6	31/3	5 1/2 b	5 1/2 b	34/3	34/3	4 9 0
103 1/2	101 1/2	104 1/2	102 1/2	Lever & Unilever Ord. £1	48/3	48/3		54/6	39/9	10 c	Nil a	48/3	48/3	3 19 0
103 1/2	101 1/2	104 1/2	102 1/2	London Brick Ord. £1	46/3	46/3		54/6	39/9	10 c	Nil a	46/3	46/3	3 19 0
103 1/2	101 1/2	104 1/2	102 1/2	Marks & Spencer 'A' 5/-	102/6	103/3		103/-	85/7 1/2	7 1/2 a	12 1/2 b	102/6	103/3	3 17 6
103 1/2	101 1/2	104 1/2	102 1/2	Murex (I) Ord. £1	36/6	36/6		31/3	19/6	2 1/2 a	6 b	36/6	36/6	4 10 0
103 1/2	101 1/2	104 1/2	102 1/2	Pinech Johnson Ord. 10/-	65/6	66/-		68/3	58/-	12 1/2 b	24 a	65/6	66/-	4 1 9
103 1/2	101 1/2	104 1/2	102 1/2	Spillers and Co. £1	31/-	30/9		30/9	34/9	10 c	10 c	31/-	30/9	3 5 0
103 1/2	101 1/2	104 1/2	102 1/2	Triplex Safety Glass 10/-	89/6	91/-		79/6	62/6	13 a	8 1/2 b	89/6	91/-	4 8 0
103 1/2	101 1/2	104 1/2	102 1/2	Tube Investments Prd. £1	74/6	72/6		60/6	47/-	35 b	74 a	74/6	72/6	3 8 9
103 1/2	101 1/2	104 1/2	102 1/2	Turner & Newall Ord. £1	29/6	29/6		33/-	26 1/4	(d) 15 b	20 a	29/6	29/6	5 12 4
103 1/2	101 1/2	104 1/2	102 1/2	United Molasses Ord. 6/8	59/-	59/3		60/6	47/-	35 b	74 a	59/-	59/3	4 12 6
103 1/2	101 1/2													

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

West End Branch:

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 1833.)

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
£13,500,000

Court of Directors:

D. F. ANDERSON, Esq. HON. GEOFFREY C. GIBBS.
J. F. G. GILLIAT, Esq. EDMUND GODWARD, Esq.
C. G. HAMILTON, Esq.
P. 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

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 issued. 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 Current 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 with 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 ... £2,256,21
DEPOSITS & CREDIT BALANCES
as at 28th Feb., 1942 ... £50,593,84

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

BANK OF NEW SOUTH WALES

OVER 850 BRANCHES

in all parts of Australia, New Zealand
and the Pacific Islands for the conduct
of every type of Banking business.

Incorporated in New South Wales with Limited Liability

LONDON OFFICES:

29, Threadneedle St., E.C.2. 47, Berkeley Square, W.1

NATIONAL BANK OF EGYPT

Incorporated in Egypt
Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

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

London Agency:

6 & 7 King William Street, E.C.4

Branches in all the Principal Towns in EGYPT and the SUDAN

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ... \$12,000,000
Reserve Fund ... \$24,000,000
Total Assets over ... \$360,000,000

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

Address enquiries to

London Branch:

108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000
(1941 Accounts)

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5187 REGISTERED AS A NEWSPAPER JANUARY 23, 1943 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

The Last Round Up - - -	93	Pattern of World Trade - - -	97
Advance in Africa? - - -	94	Canadian Conservatives - - -	107
The Medical Services - - -	96	Patent Reform—II - - -	110

NOTES OF THE WEEK - - -	99	FINANCE AND BANKING - - -	111
-------------------------	----	---------------------------	-----

Year of Decision?; Full Speed Ahead; Staff Work; At the Gates of Tripoli; The Disabled; Conditions of Success; Full Employment; Second Thoughts?; All Rights Reserved; Then There Was One; Cold Comfort for Roumania; "National Militia"; ABCA and Beveridge; "Wings for Victory"; Shorter Notes.

AMERICAN SURVEY - - -	104	INVESTMENT - - -	113
-----------------------	-----	------------------	-----

Ore on the Lakes; Controlled Materials; Strike Against Lewis; Debate Over Africa.

THE WORLD OVERSEAS - - -	107	INDUSTRY AND TRADE - - -	117
--------------------------	-----	--------------------------	-----

The End of the Conservative Party (Canada); Roumanian War Economy; Portugal's Budget.

BOOKS RECEIVED - - -	109	COMPANY MEETINGS - - -	120
----------------------	-----	------------------------	-----

RECORDS AND STATISTICS - - -	128
------------------------------	-----

The Last Round Up

THIS year will see the heaviest strain of all on British manpower. On Tuesday, as a preface to the Commons' secret debate on manpower policy, the Minister of Production, primed with the knowledge he elicited in Washington of the scale and regularity of American supplies to this country in 1943, made a general statement on the further concentration of British war industry. This country is already fully mobilised, according to the definitions of only a few months ago; but more men and women are now needed in both the factories and fighting Forces. Mr Lyttelton forecast a double process. Workers will be moved within war industry itself to be concentrated on the most urgent jobs; and workers will be withdrawn from occupations hitherto regarded as essential, either to join the Forces or to fulfil more important industrial tasks.

The difficulties of this last round up should not be underestimated. It is no longer a question of taking in slack. The problem now is to cut into necessary activities with the minimum of lasting harm. The need arises from the opportunities ahead. The gaps left by casualties in the decisive battles which are to come must be filled. If men and materials are forthcoming this year in sufficient volume, great decisions may be gained; if they are not forthcoming, the chance which the mighty feats of the Russian armies are holding open will be lost. There is no choice. Because massive stocks of many kinds of

war equipment have now been piled up, it is possible to focus the industrial effort on the equipment which is immediately most needed, on ships, aircraft, anti-U-boat devices, tanks and new weapons. But it is not possible to get a quart out of a pint pot. Every diversion of manpower and womanpower, from now on, must involve the disturbance and cutting down of employments only recently regarded as indispensable. Nor can the reshuffle be carried out, at the speed required, without inconvenience and hardship to managements and workpeople. And, without the utmost skill in organisation, it will be very hard to prevent output during the change-over from falling instead of mounting. This is the crucial test of skill in administration, of efficiency in management, and of the temper and understanding of civil servants, employers and workers alike.

"These changes are part of an ordered plan." It is this fact, and the fact that it is a plan for victory, which must be hammered home to every man and woman concerned. But there is an even greater duty upon the Government to see that a stop is put at once to the maddening and frustrating inefficiencies which have often disfigured the detailed administration of manpower policy. Moreover, the comb must go through Government service as well as private business. The suspicion lingers that many Government offices, in relation to the gravity of needs, are over-staffed; and that even in the

there are still many pockets of wasted or under-used personnel. The shipment of typists and secretaries across the Atlantic to serve with British missions in the United States inspires observers with no feeling of urgency about the labour shortage. Boys of seventeen are to be asked to volunteer for the Army; boys of eighteen and girls of nineteen are to be called up; essential undertakings in industry, trade and local government are to be further stripped of the minimum number of workers now left to them to carry on their essential duties. It must simultaneously be made plain both that there is to be no further waste of a single man or woman wherever the Government writ runs and also that these denuded civilian undertakings will not be held responsible if they can no longer fulfil all their tasks.

There were, no doubt, those in the Commons' debate, and will be elsewhere, who say that the plan is impossible; that the manpower does not exist for this further effort, and that the limit has been reached. This is not true. The limit will not be reached until the people of this country are living and working under the conditions which the necessities of battle have forced upon less fortunate nations. But it is true that this last effort, if it is honestly and effectively made, will involve privations and dislocations which have hitherto been avoided; and

the duty of employers, trade unions and citizens to accept these disturbances must be matched by a recognition of the duty of the Government, industry and the Services to secure the utmost economy and efficiency in the use of manpower. Without such economy and efficiency, the plan is not possible. It is, for instance, the duty of Mr Lyttelton to see that the highest standards of technical efficiency are ruthlessly imposed upon all industrial managements; the duty of Mr Dalton and Mr Bevin to see that the reserve of labour which remains in retail distribution is withdrawn, not withheld; the duty of Lord Woolton to say less and do more about economising the shipping space which is at present employed to maintain the nation's ample if not abundant diet; and the duty of the War Cabinet, overriding the Treasury, to recognise at last that indiscriminate individual losses due to the pressing of the nation's economy into the shape of total war are entitled to compensation—if only because the absence of compensation has meant that the process of physical mobilisation has been consistently impeded by merely financial considerations. Mr Lyttelton has sketched the material outlines of an all-out bid for victory; and the spirit of the people, whose hearts are high with hope, will not falter if they are given the leadership the hour demands.

Advance in Africa?

THE year 1943 opened with a clear strategical picture. The Russians in the east, the British and the Americans in the south, were reconquering the land bases they needed for a massive and concerted attack upon the citadel of Europe. The distance to be covered was still great—for the Russians, thousands of miles of occupied Russian territory, for the Allies in North Africa, the Tunisian pocket and then the sea. Yet the impetus behind the Allied attacks was also great, and the New Year came in with high hopes and a promise of great military achievement. On the Russian side, the hope and the promise have been fulfilled. The German army is in retreat. Most of the costly gains of the Nazis' summer campaign are being wrested from them. On the Mediterranean front, the advance continues, but only in Tripolitania. Elsewhere the situation is one of military stalemate. There is nothing to match the blows struck in Russia. The combined strategy limps, and once again the Nazis may be able to deal with one front alone while they merely hold or ward off the other attack.

This is the strategic implication of the delays in North Africa; and it is essential that the difficulties and confusions that have arisen there should be judged primarily in the light of the military situation. There is only one job to be done in North Africa. It is neither to determine the future Government of France nor to pave the way for Allied spheres of influence nor to confirm the predominance of this or that French leader. It is, quite simply, to run the Germans out. Anything that impedes this end must be eliminated, anything that speeds it encouraged and maintained. This is the only secure basis for agreement between General Giraud and General de Gaulle. Victory, like the Republic, divides Frenchmen least. It is the simplest foundation upon which to concert Anglo-American policy. Much of the bitterness and distrust generated in recent weeks sprang from the obtrusion of strong, but totally irrelevant, political and personal considerations, while the rumours and discontents have flourished the more for the complete obscurity that has enveloped the North African scene. It is only in recent days that the fog has lifted a little. The scene revealed is not very agreeable, but at least it is preferable to the previous blackout.

In the centre of the picture is the brave, vigorous, but somewhat bewildered figure of General Giraud. There can be no doubt of his single-mindedness. All his activities since he arrived in North Africa have been directed towards building up a French army and securing equip-

ment for it from America. As he said in an interview with Pierre Maillaud (published in the *News Chronicle*):

To-day I cannot afford to deal with the political situation. I must choose. I choose to fight. I must build up an army. Fighting more than anything else will be the cement that will unite the various elements.

General Giraud's policy is perfectly correct. This is the spirit of Fighting France—or of the French underground. *Résistance* is the cement of unity. There is no other. Unhappily, successful fighting demands more than the re-creation of a comradeship of arms in the front line. Behind the battlefield, the supply lines stretch out. If there is sabotage or disorganisation here, the fighting front cannot be maintained. There is now sufficient evidence from North Africa to show that one of the reasons why the Tunisian campaign is hanging fire is the degree of political sabotage and economic dislocation behind the lines. Tangier is still an entry and exit point for German agents. There is a steady leakage of information through *fonctionnaires* of all grades. Some reports speak of sabotage within the transport system, which is at best inadequate. Psychological sabotage, whispering campaigns, the relaying of rumours, continue on a large scale. Economically, the most serious factor is the food and textile shortage. Mr Milton Eisenhower has testified to the urgency of the need for supplies—wheat, tea, sugar, clothing. In the past, great stress was laid by Allied propagandists on the misery of French North Africa under German domination. The food was going to Germany. Very few manufactured products were being sent in exchange. This propaganda, valid in itself, has returned like a boomerang, for in some areas the local population is now worse off than before last November. As this is virtually the Arabs' only concern in the whole campaign, Axis agents have been able to foment their discontent. There is some danger of food rioting.

This is the unhealthy situation with which the Allies—Britain, the United States, Fighting France and General Giraud—have to deal. Mr Macmillan and Mr Bracken have underlined the solidarity of views between London and Washington, and Anglo-American policy is clearly being concerted at the highest level. The prospects of the two Generals coming together are also better. They are in friendly contact, and it has been suggested that General Catroux, who is de Gaulle's right-hand man, and an old and trusted friend of General Giraud, should be sent to prepare the way.

This movement towards agreement on the sure ground of military necessity is a guarantee that the most urgent problems will be attacked. It does not make them less intractable. An end to sabotage and the building up of a stable administration behind the lines—both essential to victory—require a thorough reorganisation of the North African administration; and Mr Macmillan has promised a "housecleaning." But on what principles must it be conducted? Here obviously the danger of introducing irrelevant criteria is immense. Every splintering of French opinion from Cagoulard through Royalist to Radical and Communist is present in North Africa. That is one range of diversity. Every degree of co-operation with and resistance to Germany is equally present. This is another range. The two do not coincide—the terms Right and Left are to a great extent irrelevant to the definition of resistance. All shades of opinion have produced all types of resistance and non-resistance.

Resistance is, of course, the only yardstick. But it is incredibly difficult to apply it in North Africa because, apart from the Fighting French minority at one end and the *Service d'Ordre Légionnaire* at the other, the problem is to sort out from among a mass of people who have collaborated with Vichy those who are collaborationist on "principle" in the Laval manner, because they believe France's future lies with Germany; those who through cynicism are prepared to back a winning Allied side; and those who were *attentiste* because they hoped to serve the Allied cause under cover of Vichy. The collaborationists must be dismissed at once, the cynical *attentistes* used, perhaps, but hardly in positions of authority. The anti-German *attentistes* are men France and the Allies need. The big gaps in the administrative machine can be made good with the best men available among the Fighting French and among the independent French exiles. A Joint Commission, of the type which now deals with political prisoners and refugees, might be given the task of sifting out and reappointing as soon as the two Generals and the two Allies have reached a general settlement.

The political temper of North Africa and the political developments of the last two years give some guidance on the awkward problem of sifting *attentistes* from collaborationists. The general atmosphere in North Africa is not and has not at any time been democratic. The small group of colonists and settlers have relied on strong colonial administrators of the Lyautey type. They feared and resented the attempt of the Blum Government to extend self-government to the Arabs. They watched the liquidation of the Popular Front with some satisfaction. When in June, 1940, the collapse came, although their first reaction was towards carrying on the fight—Peyrouton in Tunisia and Noguès in Morocco called for continued resistance—the defeatism of Vichy, in the persons of Pétain and Weygand, and the anti-democratic propaganda pouring out from the Axis were too strong.

Mandel and his deputies were arrested, and later General Weygand was sent out as Resident-General and Commander-in-Chief; and under him, a first purge of the colonial administration was carried out. De Gaulle and active resisters of all kinds were dismissed. The new administration was pro-Vichy, anti-de Gaulle, anti-British but also potentially anti-German.

During 1941 a split developed in Vichy between *attentistes* and the collaborationists. Weygand belonged emphatically to the former group, and although the Germans could tolerate *attentisme* in France, North Africa was too exposed an outpost to be left in the hands of Weygand, who had plans to organise the colonies in a quasi-independence of Vichy and vigorously opposed the activities of the German Disarmament Commission. In November, 1941, a new purge took place. General Weygand was removed; so was General Delattre Tassigny (who a year later at Montpellier attempted to resist the German occupation of southern France). The gaps in the official ranks were filled with collaborationists, Cagoulards, Doriotistes and their like; the SOL was strengthened. The Directorate-General was abolished and each colony came under the direct control of Vichy. A number of Darlan's associates were made governors under him.

This was the situation which the Allied invasion shattered—in part. The Allied arrangement with Darlan ensured that the more open forms of sabotage would not be exercised. It also saddled General Giraud with a crew of collaborationists, some of whom are on the Imperial Council which "appointed" him. The next steps are clear. The temporary arrangements made by Darlan to reinforce his position must be rescinded in favour of a new representative authority. The purge of 1941 must be taken as a rough guide for the new purge of 1943. Those who came into office in 1941 can be dismissed as collaborationists. Those who remained on in office may be used but with great care. Those who were dismissed can be relied on as honest *attentistes* of the Weygand or Tassigny type. It is a rough rule, but it is probably the most sure and it has the supreme advantage of cutting clean across the political lines of cleavage.

The economic problem is less intractable in the political sense, though the material side of it, shipping, land transport and distribution, may be much more formidable. The Allies have to send in supplies. They have also to control locally produced supplies and to take distribution in hand. The *grands colons*, the big landowners and planters, were in a very strong position between 1940 and 1942. The Germans flattered them, gave them a secure market and a very full share of the rather meagre returns. The proprietors' sympathies are collaborationist and since they control distribution, they are in a good position to sabotage the country's economic life. A plague of hoarding, profiteering and black marketing is raging in North Africa. The solution is to introduce strict measures of



EQUITY & LAW
LIFE ASSURANCE SOCIETY

Established 1844

Wartime Service

• In view of the absence of staff on War duties it has become necessary as a temporary measure to close certain of the Society's Branch Offices.

• Arrangements have been made to ensure that the Society's policyholders and annuitants will receive the best possible wartime service.

Head Office: 163/4, STRAND, LONDON, W.C.2. Telephone: TEMple Bar 0381
(temporarily transferred from 20, Lincoln's Inn Fields)

control and severe punishments similar to those established in, say, Syria to meet a very similar situation. Rationing has proved possible in Palestine. Some of the local officials might be brought over to introduce the system in Morocco and Algeria.

Each week lost in North Africa is a setback to the total strategy of the war. Only firm action in cleansing the bureaucracy and ending the economic crisis can give the Allies the security they need behind the lines. And the action must be speedy.

A Central Medical Service?

THE second assumption made by Sir William Beveridge when framing his plan for social security was that there would be

Comprehensive health and rehabilitation services for prevention and cure of disease and restoration of capacity for work, available to all members of the community.

The need for such services has long been recognised by the public, the Government and the medical profession itself. Nor have the planners been idle. For some years a host of schemes have been prepared for the reform of part or all of the medical services. Since the war the Ministry of Health has said its piece, somewhat belatedly, with a statement of policy confined to the hospital service and is having surveys made of the hospital needs of different regions. Lately it has set up a medical advisory committee, drawn from the profession, to advise the Minister on "the medical aspects of problems relating to the health of the people." From the profession itself the most recent proposals have come from the Medical Planning Commission of the British Medical Association, which issued its draft interim report last June; from Medical Planning Research, a body drawn from the under 45's in the health services, the first part of whose interim general report was published in *The Lancet* of November 21, 1942; and from Dr Stark Murray, whose book "Health for All" is published by Gollancz (6s. net).

The three plans are clearly inspired by different sympathies. That of the BMA may be regarded as more conservative, with concessions—considerable ones—to socialism. Medical Planning Research, on the other hand, is more socialist, with concessions—considerable ones—to private enterprise. Dr Stark Murray is frankly Socialist, with hardly any concessions at all. Since he is also a member of the BMA's Medical Planning Commission, his book may be regarded as the Commission's minority report.

Yet the actual proposals made are very similar. All three plans, like those of other bodies, envisage a health centre in each district, staffed by the general practitioners, which would take over all the ante-natal, infant and child welfare and school medical work at present undertaken by local authorities. It would work in close contact with the local hospital from which it would obtain its consultant and specialist services. The hospital service itself would be integrated, and the present dual system, consisting of voluntary and municipal hospitals, would end. MPR, for instance, envisages a small hospital, serving districts within a radius of 15 miles, which would give outpatient treatment for diseases beyond the scope of the health centre and inpatient treatment for emergency cases, minor illnesses needing nursing, midwifery, infectious illnesses and also the chronic, the infirm and the dying, which would ensure these a far better standard of nursing and comfort than if they are sent to isolated institutions. Its specialist services would be drawn from the key hospital, of which there would be three or more in each region. The key hospital would resemble, in organisation, the present voluntary hospital and consist of a series of medical, surgical and other units. Attached to it there would be long-stay hospitals for special treatment and convalescence.

The picture of the health services thus outlined is a pleasant one. Through the health centre every citizen would be assured of every form of medical service—in the BMA's words, "both general and specialist, and both domiciliary and institutional." The socialisation of medicine—its availability to every citizen, no matter what

his income—seems complete. But the practice of medicine—the relations between doctor and patient—is highly individual. How far is this safeguarded? In accordance with his Socialist faith, Dr Stark Murray dismisses it as unimportant. In fact he denies that medicine is individual in its practice, regarding it rather as the work of a team of doctors, specialists, research workers, bacteriologists and so on, down to the most lowly hospital porter. Significantly, he considers the free choice of doctor a fetish and tends to concentrate on the work of the health centre as a whole and on the hospital rather than on the work of the individual general practitioner. One feels, indeed, that to him the plan is more important than the patient—certainly, than the doctor.

However much truth there may be in his general thesis, that present-day medicine must be the work of a team to be really effective, the layman—the potential patient—is not likely to agree with him on the relative unimportance of the GP-patient link. Nor does either the BMA or MPR. The BMA Commission's report laid down that the widest possible measure of choice, both of doctor and of patient, is essential for the successful running of a medical service. MPR points out that the patient's right to choose his doctor is largely illusory, but makes the pertinent remark that what is important is not so much initial freedom of choice as freedom to change later. It also urges that a medical student intending to become a general practitioner should be trained as such. He should learn not, as at present, to be jack of all specialties, but to be master in his own, very wide, sphere. Further pursuing the ideal of individuality in the general practitioner service, MPR suggests that each doctor at the health centre should have his own consulting-room "as each room should develop its occupant's personality," and it would allow a patient to choose not only his own doctor but his own centre and his own hospital as well, even if they should be outside his own administrative region.

The safeguarding of consumer's choice in this way would certainly help to throw into relief the inefficient doctor, health centre and hospital, which might otherwise tend to result from a socialised medical service. Provided it is safeguarded and provided he gets the best service available, the layman will not be concerned in the question of how the doctors should be paid, whether they should be salaried servants of the State—as Dr Stark Murray would like—or whether they should have a basic salary, with a capitation fee for every person on their list, and special fees for special work—as the BMA Commission and MPR would like; nor will he worry whether the health services are administered by the Ministry of Health or, as MPR suggests, by a corporate body, with governors appointed, for a limited term, by the Privy Council on the advice of the Prime Minister and the Minister of Health, which would spend the national health funds received from the Social Security Fund and from Treasury grants, and would be regional in its administration. But he will note the unanimity of opinion, expressed in all three plans, on the need for avoiding the dead hand of Whitehall in medical practice. Dr Stark Murray describes a state medical service, run from Whitehall, as Fascist. MPR quotes: "It doesn't matter if the patient dies so long as he does it on the right forms"; and both it and the BMA emphasise that the personal responsibility of the doctor for his patient must be absolute.

But if the layman is not vitally interested in the details of administration, as taxpayer he is very much interested in the cost. Here all three planners break down. The

BMA makes no attempt to assess the cost. Dr Stark Murray contrives to make the total cost of the new service exactly the same as the estimate—£140 millions a year—he accepts for the old. More ambitiously, MPR relates the cost to the national income and its own, pre-Beveridge, plan for social security. It estimates the cost in 1938-39 at £160.3 millions, of which the municipal health services accounted for £52 millions; the voluntary services for £23.3 millions; and doctors' and dentists' fees and salaries, masseurs, and medicines—including patent medicines (£20 millions)—for £85 millions. To this existing total of £160.3 millions it adds £40 millions a year for the additional cost of the nursing services under the proposed scheme and £40 millions for additional capital expenditure on new buildings, and subtracts £10 millions for saving on administration, giving a total of £230.3 millions; but it admits this to be only a rough estimate. In the Beveridge Report, the cost of a comprehensive health service is taken, after consultation with the Ministry of Health, at £170 millions a year, but this too is regarded as very provisional. Towards it there would be £40 millions from insurance contributions, leaving £130 millions to be provided from public funds.

Financially this figure can, of course, be borne. It must be, if only because a complete health and rehabilitation service is necessary in order to reduce the claims for sickness benefit. The higher payments for disability proposed in the Beveridge Report will, as the Government actuary there points out, almost certainly lead to greatly increased claim rates, even with careful certification and other measures of control. A health service which in the long run will improve the nation's health, and, in particular, by early diagnosis and full facilities for treatment and rehabilitation, prevent prolonged incapacity, should eventually offset this immediate rise in the cost of disability benefit. But more than finance is involved. The question is, how soon can the service be established? Where on the long and growing list of reconstruction priorities will the building of new hospitals come? Or the building of health centres? Are there enough doctors,

specialists and consultants available for each region, and if not how soon can they be trained? It has been unofficially stated that twice the present number of registered dentists will be necessary for a complete dental service, and it can be taken as certain that the shortage of nurses is even more acute. The proposed rehabilitation service, discussed on page 100, will alone be difficult enough to achieve. Even with the greatest possible measure of agreement among doctors and between doctors and Government—an agreement which, in spite of the similarity of the three plans discussed above, is by no means certain—there are strong practical reasons why the "comprehensive health and rehabilitation services" will be an ideal for some time after the war.

Does this then mean that since Sir William Beveridge's second assumption cannot immediately be fulfilled, his plan must wait until it can be? Must the present system, with its inadequate benefits and its deficiencies in matters of treatment, continue until every citizen has his health centre and a hospital bed awaiting him? There is surely no reason why the insurance proposals should not be adopted, if agreed upon, straightaway under improved national health insurance and workmen's compensation legislation. Every insured person would have the right, as at present, to a free GP service; he would also have the right to a free hospital and specialist service. Whether he would obtain it would depend on the facilities available, but it should be made a condition of appointments, whether full-time or part-time, to hospital staffs and of grants to hospitals that priority in all matters must be given to the most sick and not to those who, if they are allowed to, continue to pay private fees. If the insurance regulations do not merely permit an insured person to have all existing medical facilities, but lay down that he must have them where they are reasonably available, the beginnings of a complete health service would be there, even if the machinery had not been decided upon and the health centres were still unbuilt. At least it should mean that the availability of the health services would be limited by the physical means of the hospitals and doctors and not by the financial means of the sick.

The Pattern of World Trade

THERE has recently been a tendency to belittle the part played by foreign trade, through the international division of labour, in economic progress. The almost lighthearted manner in which this essential pillar of material advancement is nowadays dismissed is largely due to a lack of both knowledge and understanding of the facts. The Economic Intelligence Service of the League of Nations has rendered a signal service by publishing an admirable study* of the complicated pattern of world trade, as it existed before the war. It contains, besides an exposition of the fundamental factors which have influenced the international division of labour in the past, an excellent analysis of the nature, size and distribution of world trade, and of the complicated process by which financial obligations arising from foreign trade were settled—though it might have been interesting if the analysis could have been carried one step further to show, for countries for which statistics are available, the ratio between production and exports. It is impossible, within the scope of a short article, to do more than select a few points; the "Network of World Trade" should be read, every page of it, by all who are interested in finding the right solution to the post-war economic problem. The facts speak for themselves.

The incentive to the international division of economic springs from the uneven distribution of economic resources, geographically, and it has been the means whereby countries have secured a national income—a

level of prosperity—higher than they could possibly have obtained exclusively from their own resources by a policy of self-sufficiency. Climatic conditions and the supply of mineral deposits vary enormously from country to country; perhaps even more important are the disparities in the relative supplies of labour, skill, capital equipment and productive land. As a result of these differences, the activities which yield the highest return vary from country to country; they explain the advantages of international specialisation and the mutual benefits of international exchange. They also explain the advantages which have been derived in the past, by all parties, from the stimulation of production in complementary countries abroad by overseas investment—that is, by supplying countries possessing a plentiful supply of labour and abundant natural resources, but short of capital, with equipment. All this is, or should be, ABC; the point is that these simple truths still hold good, in spite of the chronic tendency of ingenious politicians and pundits to deny them.

During the years before the war, the value of goods entering international trade was roughly equivalent to the national income of the United Kingdom. A little more than one-fifth of world trade consisted of food, and the remainder was distributed, in almost equal proportions, between raw materials and partly manufactured products, and finished goods. The way in which world trade was distributed in 1928 and 1938 (the figures for individual countries have been converted into dollars at the new gold parity) is shown in the first of the accompanying tables. One of its most striking features is the lack of

* The Network of World Trade; League of Nations; 172 pages. Published by Allen and Unwin; price 10s.

symmetry between the distribution of the imports of each of the eight groups of countries and their exports. In 1938, for example, North America imported from non-continental Europe (chiefly the United Kingdom) 8 per cent of its total imports, but sent to non-continental Europe nearly a quarter of its exports. Proportionately, both continental and non-continental Europe purchased twice as much from North America as they exported to that region; and the disparity was even greater in Oceania's trade with North America. In continental Europe, an important fact is that more than half the aggregate trade of the various countries was carried on within the continent before the war.

Secondly, there were certain significant changes in the distribution of the trade of the eight groups of countries between the two years 1928 and 1938. There was a relative decrease in Latin America's imports from and exports to North America and an increase in trade within the Latin American group. Another example was the shift in Russia's trade from continental Europe to non-continental Europe and North America. The distribution of the trade of non-continental Europe also underwent significant, if less violent, changes.

In 1928, more than in 1938, the distribution of the foreign trade of the various countries was determined by their needs. Very reasonably, each country still tended to

I.—DIRECTION OF THE MERCHANDISE TRADE OF EACH OF EIGHT GROUPS OF COUNTRIES IN 1928 AND 1938

	Percentage Shares in the Imports (Exports) of:															
	Africa		North America		Latin America		Asia		U.S.S.R.		Continental Europe		Non-Continental Europe		Oceania	
	1928	1938	1928	1938	1928	1938	1928	1938	1928	1938	1928	1938	1928	1938	1928	1938
Imports from:—																
Africa	7	6	2	2	...	...	1	2	4	...	6	8	6	6	1	...
North America	10	12	26	27	38	34	16	19	21	33	14	11	22	22	27	22
Latin America	2	2	21	20	13	18	...	1	8	...	9	9	12	11	...	...
Asia	9	11	24	22	3	4	46	45	22	22	8	8	9	12	13	17
U.S.S.R.	...	...	...	1	...	...	2	1	...	...	2	1	2	2	...	10
Continental Europe	43	44	17	19	30	31	15	17	39	30	51	52	35	30	11	10
Non-Continental Europe	28	25	8	8	16	13	18	15	2	11	8	9	7	5	43	43
Oceania	1	...	2	1	...	...	2	2	4	4	2	2	7	12	5	8
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Exports to:—																
Africa	8	8	2	3	1	1	3	5	...	...	6	7	10	15	2	...
North America	8	5	23	20	35	27	23	17	5	8	7	6	11	9	9	4
Latin America	...	...	14	15	9	1	1	1	...	...	6	6	10	9	...	...
Asia	3	5	11	13	...	1	41	42	19	15	6	7	21	16	12	9
U.S.S.R.	...	...	...	...	...	...	1	1	...	...	1	1	1	1	...	...
Continental Europe	54	59	27	21	35	33	19	18	56	46	58	57	27	29	33	17
Non-Continental Europe	25	23	19	23	20	20	9	13	20	31	15	15	10	9	38	62
Oceania	...	...	3	3	...	...	3	3	...	...	1	1	10	12	5	8
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

II.—DIRECTION OF MERCHANDISE TRADE AND TRADE BALANCES 1928, IN (\$'000,000's)(a)

Trade of:—	A. Tropics (b)			B. United States			C. Regions of Recent Settlement			D. Continental Europe			E. Non-Continental Europe			F. Rest of World		
	Im-ports	Ex-ports	Balance	Im-ports	Ex-ports	Balance	Im-ports	Ex-ports	Balance	Im-ports	Ex-ports	Balance	Im-ports	Ex-ports	Balance	Im-ports	Ex-ports	Balance
A. Tropics	900	800	-100	1,820	870	-950	310	180	-130	1,600	910	-690	760	950	-190	580	320	-260
B. United States	1,010	1,650	+640	...	...	...	1,430	740	-690	1,650	760	-890	910	230	-680	600	570	-30
C. Regions of Recent Settlement	210	240	+30	780	1,380	+600	240	220	-20	1,490	530	-960	1,180	890	-290	190	50	-140
D. Continental Europe	1,080	1,420	+340	880	1,500	+620	640	1,350	+710	6,920	6,630	-290	1,900	1,000	-900	930	810	-120
E. Non-Continental Europe	1,050	750	-300	250	850	+600	980	1,150	+170	1,060	1,730	+670	400	390	-10	320	330	+10
F. Rest of World	370	500	+130	680	550	-130	70	170	+100	860	830	-30	370	290	-80	1,060	1,060	...
Total	4,620	5,360	+740	4,410	5,160	+750	3,670	3,810	+140	13,580	11,390	-2,190	5,520	3,750	-1,770	3,680	3,140	-540

(a) The values are shown in dollars according to the parity in force in 1928.

(b) Including Chile.

NOTES TO TABLES AND DIAGRAM

TABLE I.—For the purpose of calculating the percentage distribution of imports and exports, the trade statistics for the various countries have been converted into dollars at the 1934 gold parity (one dollar = 0.88867 grammes of fine gold). Adjustments have been made to secure uniformity of valuation, c.i.f. in the case of imports and f.o.b. in exports. The figures showing the proportion of the trade done within each of the various groups of countries are given in italics.

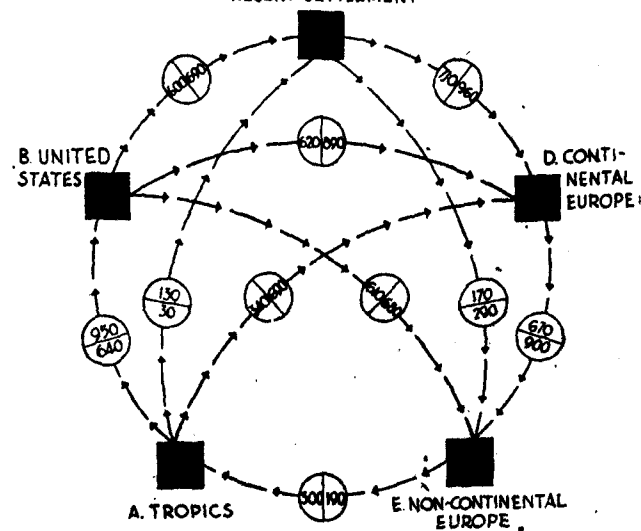
TABLE II.—The groups of countries have been chosen and arranged so that the balances should illustrate the system of multilateral settlements. The tropics include central Africa, the tropical agricultural and the mineral-producing countries of Latin America, and tropical Asia. Other regions of recent settlement include the British dominions and the non-tropical agricultural countries of Latin America. Non-continental Europe includes, besides the United Kingdom, Iceland, Eire, Spitzbergen and the Faroe Islands. The "rest of the world" includes North Africa, Japan, Korea, Formosa, China and other Asiatic countries, and USSR. Groups A—E cover 90 per cent. of world trade.

Figures not reflecting the direction of international transfer are shown in italics; those of group F because the position of that group, taken as a whole, in the system of settlements cannot be clearly defined; and those relating to trade within the groups because the balances in such trade only represent the cost of transport between the frontiers of the countries concerned.

DIAGRAM.—The balances derived from Table II are given in millions of dollars at the 1928 gold parity. Both import and export balances are shown; the smaller of the two figures in each circle represents the export balance of the group from which the arrows emerge, and the larger figure the import balance of the group to which the arrows point. The difference between the amounts in question is due partly to the inclusion in imports of

transport costs between the frontiers of the exporting and importing countries. The diagram is reproduced from the "Network of World Trade."

THE SYSTEM OF MULTILATERAL TRADE, AS REFLECTED BY THE DISTRIBUTION OF BALANCES OF MERCHANDISE TRADE IN 1928



buy the products it required from the areas which could supply them most advantageously. Often, the purchasing country could not satisfy the needs of the supplying country, at any rate not on advantageous terms. International specialisation cannot be carried out to the best advantage on the basis of bilateral trade. True, the needs of many countries trading with each other are in fact complementary; but it is estimated in the "Network of World Trade" that no less than a quarter of the exchange of merchandise during the "twenties," before bilateralism became an end (or blind alley) in itself in national trade policies, was triangular or multilateral, that is, each country made its purchases in the most suitable areas of supply, and not necessarily from the countries to which they sold their own products.

The system of multilateral trade which began to spread rapidly some seventy years ago, with the improvement in transport and communications, obviously requires complicated facilities for the settlement of multilateral claims. This delicate mechanism is lucidly described in the "Network of World Trade." In general terms, of course, the process is familiar. If country A has a financial claim on country B in respect of an export surplus or services rendered and B cannot discharge it by the shipment of gold, it has to acquire the requisite currency, generally by means of an export surplus, from country C. Country C, in turn, has to offset its import surplus from B with an export surplus to D, and so on until the circle is closed by an export surplus from the last country in the chain to A. The operation of the system in 1928 is shown statistically in Table II, in which the merchandise trade balances of six groups of countries with each other are set out; and the process is further illustrated by the accompanying diagram. (The year 1928 has been selected because of the subsequent disturbances to the system.) It must be remembered that the table and diagram show merchandise trade balances only; they do not take into account claims arising from shipping and other services and in the form of interest from capital investments. All these items have, of course, to be included in order to arrive at a final balance of claims on current account.

After a short interruption during the last war, the system of multilateral exchange continued to function,

though perhaps not as smoothly as before, with beneficial results. Between 1913 and 1929 the volume of world trade rose by some 30 per cent. But in the "thirties" its operation was seriously impeded by the deliberate turnover to bilateral settlement 'between individual countries or groups of countries; and the volume of world trade never reached the 1929 level during the economic recovery from 1933 to 1937. The strait-jacket was on.

During the war multilateral exchange is virtually in abeyance and, seizing their chance, the exponents of self-sufficiency and bilateralism demand that it should be left there. Technological progress, so they argue, has lessened the need for trade; this is the ersatz age, the era of synthetics. And, so they go on, the reduction in Britain's overseas investments, with a consequent fall in interest payments, has lessened the possibilities, as well as the need, for a multilateral system of trade. Such sophistries, if heeded, would spell ruin, above all for Britain, which, perhaps more than any other leading power depends on international specialisation for its standard of life. The facts, it must be repeated, speak for themselves. The League's survey, in cold, hard, unchallengeable figures, proves an unmistakable moral.

International trade is more than the exchange of goods between one country and another; it is an intricate network that cannot be rent without loss.

Multilateral trade will be as beneficent and necessary after the war as it was in the past. Admittedly, the system as it operated before the war may not fit the conditions of the post-war world. For a time, in certain spheres, some measure of bilateralism may be compelled by circumstance—but always, if common sense and progress are to prevail, as no more than a necessary evil, very short-lived and to be sloughed off as the conditions of wealth and wisdom return. If there is to be any economic future for the world, international commerce must again be contrived so that all the countries can secure their import requirements as advantageously as possible. Bilateralism, as a permanent policy of trade, is the economic nonsense of suicidal politicians.

NOTES OF THE WEEK

Year of Decision?

Echoing Disraeli, Mr Churchill recently spoke of "the end of the beginning." Now it may be that the end itself has begun, however long its achievement may take. Victories like those of the Russian armies, added to and continued, can spell victory itself. Britain's share is three-fold. There is the pressing need (emphasised in an article on page 94) to break the block which the enemy has set in Tunisia to the advance to a Second Front. There is the need, no less urgent, to control the menace at sea, where shipping losses (still kept secret) may not have declined much from the high rate of the closing summer months; the capacity of the Allies to import necessities in full or to supply the arms of victory in proportion to their industrial output is seriously impaired. The recent news of successful convoys to Russia and across the Atlantic merely underlines the strength of the submarine threat and the weight of protective power that is needed if a convoy is to come safely through. Thirdly, there is the air weapon. The Allies have won air mastery; the problem is how best to use it. Strategic bombing has been foiled for months by the weather and by the diversion of aircraft and personnel to crucial military and naval tasks. Now, still almost exclusively in British hands, it has restarted. The Ruhr and Berlin have been very heavily raided; and the Luftwaffe has replied with a splutter over London. In all these months, after more than a year of belligerent preparation, its bite will surely be prodigious. It is upon the co-ordination of all these factors, the advancing Russian armies, the massing of Allied armies in Africa, power at sea and superiority in the air, that success in 1943 will depend. No national, political

or professional controversies must be permitted to obstruct the concentration of effort at the right places in the right strength and at the right time. Temporarily, timing and co-ordination seem somewhat awry. The remedy is not, as some shouters suggest, to start again and contrive a brand-new Second Front overnight. It is rather to succeed, and succeed without any more delay, in the plans for action on land, at sea and in the air, and at many points, which were laid last spring and summer.

Every facility for
BANKING
business on
SWEDEN
SKANDINAVISKA
BANKEN
Central Offices at Göteborg, Stockholm
and Malmö
CABLES (FOR ALL OFFICES AND BRANCHES)
SKANDINAVBANK

Full Speed Ahead

All along the Russian front there has been a kaleidoscopic shifting of the lines during the last week or so. In the north, the Leningrad garrison crossed the Neva and joined hands with the Russian forces operating from the Volkhov river. Another vulnerable German wedge is left, based on the Gulf of Finland in the north and on Novgorod in the south; and the raising of the siege of Russia's second capital may be followed by yet another large-scale operation on the Stalingrad pattern. In the region of Velikiye Luki, the Russian Command can claim a further, though limited, advance. The Voronezh offensive has carried the Russians back to almost the same points which they held early last summer. On the Voronezh-Rostov railway, Millerovo and Kamensk, two stubbornly defended German hedgehogs, have fallen; and the northern fringe of the Donetz basin has again become a scene of fighting. The threat to Rostov, though not yet imminent, has grown as the Russian forces have surged forward from Zimovniki to the Manych. South of the Manych, the region of Divnoe has been recaptured; and, at the other end of the Caucasian wedge, more progress has been made along the upper Kuban. A glance at a map shows that what is being fought is the old battle of the railway lines—in reverse; along the entire front, the twisted German wedges and salients are cut by Russia's pivotal communication lines. The entire reversal of the position has been additionally emphasised by the Russian ultimatum to the encircled force of General Paulus at Stalingrad. The German refusal to surrender in a position to all intents and purposes hopeless is an indication of the enemy's resolve to fight stubborn delaying battles at any cost; and the bearing of General Paulus' forces should be taken as a warning against too hasty conclusions about the broken spirit of the Nazi troops. On the other hand, the high numbers of German prisoners taken on the other sectors of the front show that the morale of Hitler's soldiers in the east is by no means uniformly strong. So far, the Germans have lost nearly half the gains they scored during their 1942 offensive. What if they lose the other half? How will the soldiers' morale stand such a blow to the Fuehrer's prestige, to their commanders' infallibility and to their own self-confidence? True, the German army has several alternative defence lines in the rear, a whole series of its own Maginot lines. But experience shows that Maginot lines are of no great use when the spirit of an army is sapped or broken. All that can be said for the time being is that morale is incalculable; its failure may destroy the enemy more quickly than the optimist dreams in his most optimistic flights of fancy or its maintenance may sustain him longer than the pessimist believes possible.

Staff Work

In his war review in the House of Commons on Tuesday Mr Attlee said:—

I have often heard it said, "Oh, yes, the Russians are very good fighters and very brave, but no good at organisation and incapable of staff work." That is absolute nonsense and has proved to be.

This tribute to the Russian staff work is well deserved and timely. Never before has the Russian Command achieved such brilliant successes in timing and co-ordinating its moves. The commanders have diligently learned from the grim experiences of the earlier stages of the war; and the way was paved for these recent achievements by some thoroughgoing reforms in the Red Army. One of them was the establishment of special bodies charged with the co-ordination of operational plans and their execution all along the huge front "line." The official communiqué on the raising of the siege of Leningrad revealed one detail of what seems to be the most important overhaul in the High Command. It said that the "co-ordination between the two forces was entrusted to the representatives of the staff of the High Command—Marshal Zhukov and Marshal Voroshilov." Marshal Zhukov's appearance on the Leningrad front came, in fact, as a surprise to the press, as shortly before he had been described as the commander on the southern front and had been credited with the successes obtained there. It is now clear that Marshal Zhukov acted on both fronts as a sort of supreme liaison officer charged with the special task of co-ordination. And it seems that Marshal Timoshenko may still be commanding in the southern sector.

At the Gates of Tripoli

It is difficult not to follow the campaign in Tripolitania with mixed feelings. Rommel's retreat has proved beyond any doubt his enormous inferiority. The co-ordination of the Eighth Army's various services and the flow of its supplies along the difficult desert trek have been a feat in which General Montgomery's soldiers may rightly take the highest pride. It is disappointing, on the other hand, that since the battle of El Alamein, the Eighth Army has not succeeded in engaging the enemy's main force. At Agaila, only rearguard clashes occurred. Wadi Kebir and Wadi Zemzem were two more missed opportunities of coming to grips with the remnants of the Afrika Korps. And now again Misurata has been given up by Rommel without a shot. All the time the advancing Allies seem to gain too easily in territory while the enemy seems to lose too little in manpower and equipment. The attackers have failed to reap all the fruits of their initial victory, while Rommel refuses to drain the cup of defeat to the last bitter dregs. Rommel's next step can only be a matter of conjecture. Will he make a stand at Tripoli or will he withdraw the Afrika Korps behind the strongly fortified Tunisian frontier? If he chooses to join General Nehring and if he achieves this with his fighting power intact, the Tunisian campaign may become correspondingly more costly.

The Disabled

Since the publication, in 1939, of the final report of the Delevingne Committee on rehabilitation, considerable progress has been made towards the physical and occupational restoration of the disabled. Special accident hospitals have been set up, voluntary social services have extended their activities to post-hospital and follow-up treatment, and a scheme for rehabilitation and resettlement (that is, re-employment) has been put into force by the Ministry of Labour. This last was always stated to be merely an interim scheme, with an emphasis on retraining for warwork. Last week a long-term scheme was proposed in the Report of the Inter-Departmental Committee on rehabilitation and resettlement, which sat under the chairmanship of Mr G. Tomlinson, Parliamentary Secretary to the Ministry of Labour. This Report (Cmd. 6415) is a twofold advance on that of the Delevingne Committee. The latter dealt almost exclusively with fracture cases. The Tomlinson Report covers persons disabled by pulmonary tuberculosis, blindness, deafness, cardiac weakness, neurosis and psychosis as well. Secondly, the Tomlinson Committee has recognised that rehabilitation is of little use to a worker if his return to work is barred by non-medical factors. It has, therefore, devoted much of its Report to the actual resettlement of the disabled worker in a job, either in his original type of employment or in a new one for which special training facilities have to be provided. To effect this, the Committee recommends that employers should be obliged to employ a certain number of the disabled. It, therefore, goes beyond the first two stages of rehabilitation—medical and post-hospital—to the need for legislation for resettling workers who have passed through them. It proposes that restrictions should be laid upon the engagement of non-disabled workers by an employer who is employing less than a prescribed percentage quota of registered disabled—it recommends that a register of disabled persons should be set up, as Professor Girdlestone, of the Wingfield Orthopaedic Hospital, recommended some time ago. Secondly, it proposes that certain occupations should be scheduled for the benefit of the disabled, and that the engagement of non-disabled persons in these occupations should be prohibited unless a special licence has been obtained. The King's Roll scheme, started after the last war, would then come to an end, but disabled ex-service men still in receipt of a pension would be entitled to registration under the new scheme.

Conditions of Success

The Tomlinson Report thus envisages a very complete scheme of rehabilitation and resettlement. But there are conditions that must be fulfilled before it can be in proper working order—as it must surely be if the many casualties of the war's last and biggest battles are to be rightly cared for. The first, as in so many plans, is a high level of employment. It should be noticed that the quota proposal would not impose an obligation on an employer to employ the full percentage quota of disabled persons; it would merely prevent him from engaging more non-disabled

workers while his quota was unfulfilled. In a time of low employment, therefore, the number of disabled persons who could be placed in work would also be low. A more immediate difficulty will be the shortage of personnel and equipment for rehabilitation work. There are at present 21 orthopaedic centres in England and Wales working in the Emergency Hospital Scheme and 60 hospitals earmarked for the specialised treatment of fractures. But other hospitals do not as a rule provide more than ordinary surgical treatment, and when medically disabled persons are brought within the scope of rehabilitation and resettlement, the inadequacy of the existing facilities will be even more apparent. Finance may be provided and the administration set up; but the equipment and staff will still be lacking. In this branch of the health services, probably more than in any other, will the physical shortages, referred to in an article on page 96, be acute. A further disadvantage of the scheme is that, like the Beveridge plan itself, it is divorced from the administration of social insurance. It is still regarded as a separate social service. It does not make rehabilitation, retraining and resettlement an obligation under National Health Insurance or Workmen's Compensation. Instead of drafting these into the framework of the existing legislation, it relies on future financial and administrative plans—which may or may not become realities.

Full Employment

The pamphlet put out by Lever Brothers and Unilever Limited on "The Problem of Unemployment" is a notable contribution to the most important of all current discussions on future economic policy. It is outstanding among the contributions made by industry to the discussion: first, because it recognises, in principle and argument at any rate, that full employment does not mean simply the permanent maintenance of employment in particular industries; and, secondly, because in a remarkable passage it denies the right of industrial associations to determine national policy.

It would involve the placing of overwhelming powers in the hands of organised industry and the public would sense in it the creation of an era of privilege, no matter what safeguards were introduced.

This pamphlet deserves (and in *The Economist*, it is hoped, will receive) more extended treatment than a short Note will allow. Broadly, its diagnosis agrees with the thesis expounded in recent articles in *The Economist*. "Irregularity of capital investment is the real cause of unemployment."

What is needed therefore is the planning of investment so that it will be sufficiently large and sufficiently regular to prevent cyclical fluctuations. The main task in fostering regular capital investment, and through it, regular employment, lies with the Government.

This task, it is argued, can be carried out by "the powerful means of indirect control" which the Government possesses: by its control over the monetary system and the rate of interest; and by the ability it has to regulate the ultimate distribution of the nation's income by expenditure and taxation. There should be two budgets, one balanced annually to meet standing expenditure out of current revenue, and "an extraordinary budget to meet capital expenditure and such emergency measures as should be taken in times of depression to fight unemployment."

In booms [by means of the extraordinary budget] the Government's policy should be to check spending; in slumps, to encourage it. . . . The two-budget system, provided it is used solely for the purpose of regularising economic life, is the most efficacious means of controlling the trade cycle, and is the one that needs most study.

"It is not suggested that industry should take any part in the general direction of anti-unemployment policy." The pamphlet lists the monetary measures, budgetary measures and investment measures, together with special public works, training and re-training schemes. Industry could plan its development as far as possible to avoid "the violent fluctuations in extensions of productive investment that are the root cause of irregularities of employment"; pursue a policy designed to foster "maximum production"; train a redundant workpeople for other work to assist "the fluidity and mobility of labour"; and keep the Government informed at all times of all technical and other considerations needed for the making of a correct policy. Nothing shrewder has yet been said in business circles about the unemploy-

ment problem—though there will doubtless be some pertinent cynicism about its being said on behalf of one of the biggest of monopolists.

Second Thoughts

Two years ago, a defence regulation permitting theatre performances on Sunday was annulled by the House of Commons by 144 votes to 136. Lately, there have been reports that the House is beginning to repent of its decision, and a motion has been tabled to have a new defence regulation made. Mr Morrison is naturally reluctant to reopen the matter until the Government is assured of a majority. Its views are the same as they were two years ago, but it does not wish to court defeat again. In the meantime, the theatrical profession has aired its views at a stormy meeting where the proverbial actor's temperament got the upper hand. From the reports of the meeting, which was called by the bodies representing the acting and allied professions, it is difficult to decide exactly which actor, and actress, was supporting what, but a resolution supporting "the demand of the Services and the public for the opening on Sundays of theatres and music-halls during the war" was carried, after the suggestion had been adopted that a ballot should be taken of all members of the profession including those in the Forces. Whether there is a demand for Sunday theatres can only really be tested, as Mr Ivor Brown stated in last Sunday's *Observer*, by opening them; if there is no demand, they will soon close. But, judged by the crowds in the streets of the West End of London, and in other big towns, on Sundays, the demand is there. Week-end concerts are having an almost unprecedented boom. If the demand is there, it is foolish to state that Sunday shows should be non-commercial. Why should plays be given on a charitable basis, when concerts, cinemas and the BBC are run on the same basis on Sunday as on any other day of the week? Actors themselves, who protest against the "commercialisation of Sunday," are not averse to receiving fees for Sunday work from the BBC. A more serious criticism of Sunday opening is that it might mean a 7-day week for the theatrical profession—including call-boys and dressers as well as actors and actresses. But there is surely no reason why they should not rest on a week-day, when most of their audiences are working. Some provincial repertory theatres, for instance, have for a long time given no performance on Monday, which is always noted for its bad house.

All Rights Reserved

The attempt of General Orgaz, the High Commissioner of Spanish Morocco, to steal a march on the Allies in Tangier, by announcing the incorporation of the zone in the Moroccan Protectorate, was perhaps a little naïve. In law, Tangier remains an International Zone whose status and administration is governed by the Statute of 1925 and the protocol of 1928. Under this arrangement, Britain, France and Italy share the control of the port and its hinterland. The British Government has consistently refused to recognise the legality or the permanence of the Spanish occupation of the zone in June, 1940, when the international administration was terminated and the legislative assembly suppressed. In the ensuing period, a *modus vivendi* has been arrived at between the British and Spanish authorities of which the corner stone is the provisional agreement of February, 1941, which guaranteed the personal rights of British subjects. If the British Government has meanwhile refrained from raising the fundamental

The MERCANTILE BANK of INDIA LIMITED

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

Capital Authorised £3,000,000

Capital Paid Up £1,050,000

Reserve Fund and Undivided Profits . . £1,257,267

Branches and Agencies throughout the East

issue, and has assured Madrid that the landings in North Africa last November would in no way compromise the temporary arrangement, this policy was, and remains, a matter of convenience. In the long run, the British Government fails to recognise any change in the *de jure* position and reserves all rights. No mere statement by the Spanish High Commissioner that Tangier is henceforth an integral part of Spanish Morocco can change the British attitude. This must have been clear in Madrid from the start, and the point of the announcement is not immediately plain. Berlin has executed several manœuvres from Tangier in the last two years—including the instigation of the notorious riots last February—and is perhaps attempting once more to embroil the British and Spanish Governments. In fact, relations between the British and Spanish authorities in Tangier have become increasingly cordial in recent months.

Then There Was One

Chile's decision to break off diplomatic relations with the three Axis nations was not unexpected. Hinted at for several months past, the topic has in the last few weeks overshadowed all other political issues in Santiago and in many other South American capitals. Since the return of the Minister of the Interior, Señor Morales, from his visits to Washington and Buenos Aires, the trend of policy has been unmistakable. Delay at the end was apparently due to last fruitless attempts to induce Argentina to pursue a common policy, and to complete the framework of Continental solidarity. There was never any substantial possibility that the issue should be submitted to a plebiscite on the suggestion of the ex-president, Señor Arturo Alessandri. Public opinion is unmistakably behind President Ríos, who needs no special mandate. The resolution of the Senate, endorsing the President's decision to break-off relations, was carried by the very adequate majority of 30 to 10 votes, with two abstentions. In the absence of shortsighted Axis aggression, which cannot be ruled out, Chile is unlikely to enter the war.

Nowhere is the Chilean decision more keenly discussed than in Argentina. The rupture with the Axis in Santiago, coming after the Brazilian decision to become fully belligerent, must lead to a marked advance in public opinion in Buenos Aires. But it is less likely than ever that the Argentine Government will follow suit. The untimely death of General Agustín Justo has robbed the forthcoming presidential elections of the most outstanding candidate opposed to neutrality. There is now little possibility of a change of Government—still less that the Government will change its standpoint. President Castillo's decision to regard the German Naval Attaché, Captain Niebuhr, as *persona non grata* and to insist on his recall cannot be interpreted as a move toward the Allied camp. Captain Niebuhr's implication in certain espionage charges was too notorious to be disregarded by any Government still claiming to remain strictly neutral. His removal is evidence of neutrality rather than of partisanship. The Argentine Government had apparently already made it known that in the event of a rupture between Chile and the Axis its own policy would remain unaffected. Although isolated in the American continent, Argentina will continue to draw its ideological inspiration from Spain and the notion of *Hispanidad*. It is the future of Iberian, rather than Chilean, neutrality which exercises the most powerful influence on the policy of President Castillo and his Foreign Minister, Señor Guinazu.

Cold Comfort for Roumania

The last three months' fighting in Russia has taken a terrific toll of the Roumanian army. When, on Decem-

ber 31st, the Russians gave out the enemy's losses in the Stalingrad area, they claimed the rout or encirclement of ten Roumanian infantry divisions, five cavalry divisions, and one tank division. From other sources comes the news that of the six Roumanian divisions operating before Stalingrad itself, four were annihilated. The number of men killed may well be half a million. The scale of destruction in the last weeks has been so great that even the newspapers have braved the censorship to criticise the Government for persistently painting a false picture, and to appeal for national unity and calm. Since October, 1941, no casualty lists have been published, and newspapers have only been allowed to print a given quota of obituaries. A wave of resignations has marked the disgust of official circles over the Russian carnage. The Orthodox Church, usually a pillar of any current political regime, has been sharply attacked by the Minister of Culture for its failure "to collaborate." At the front, the rate of desertion is so great that the families of deserters are now to be executed in retribution. Among the civilian population, hunger, irritation and despair have led to breaches of the peace. This is the crumbling society which the Germans have somehow to keep on as a going concern. It is not revolt they fear, but a straight collapse, both in the economic sphere and in the field of administration. They have done what they can to bolster up the people's failing morale. The German Minister has even given special assurances that the East is impregnable. Antonescu has seen Hitler at his headquarters and "complete unity of view" was announced. This is cold comfort for Roumanians, who must continue to sacrifice its manpower in a cause which more and more of its people believe to be lost.

"National Militia"

The National Militia, in charge of which Laval has put himself, is no new invention. It is the old *Service d'Ordre Légionnaire* (SOL)—Laval's pretorian guard—under a new name. The change of name merely indicates that the SOL has been separated from the *Légion des Combattants* which brought it into being. This, in itself, is significant. The *Légion* was a mass organisation. As such it was susceptible to the anti-German trend of French public opinion. The SOL itself may also have been infected with "heresies"; hence the necessity to cut it off from the mother organisation. In a message to the National Militia, Pétain has defined its rôle. "Now they and the police remain the only organised force capable of maintaining order." Apparently the other force, the new army which was to be set up under von Runstedt's control, is not to come into being very soon. The other creations, such as the Africa Phalanx, have not been heard of recently; and the famous *Légion Tricolore* was dissolved last week. The Fuehrer's dream of Frenchmen fighting beside the Nazis does not seem near realisation. Indeed, the reported repatriation of French troops from Tunis and Bizerta suggests that the dream has been given up. All that remains has been the task to "maintain order" at home. But, even for this, the National Militia would hardly suffice had it not the backing of the occupying German troops.

ABCA and Beveridge

Sir James Grigg has told the House of Commons why he ordered the withdrawal of the ABCA pamphlet with Sir William Beveridge's summary of his report. His defence was disingenuous and, to say the least, unconvincing. Its main argument was that ABCA discussions are compulsory, and compulsory discussions should be kept free of possible political controversy. Secondly, the official brief, which is issued to help officers in initiating ABCA debates, and the summary of the report "might easily have conveyed the impression that the scheme set out in the Report was settled Government policy"; consequently, he thought discussion should be postponed until after the debate in Parliament, by which time, presumably, the Government will have made up its mind. The second argument can easily be disposed of. If the brief really gave the impression that the plan had been adopted—though Sir James Grigg was surely underestimating the intelligence of army officers when he said so—the obvious thing to do was to issue a new brief telling them to make it quite clear to their men that the plan was still only a plan. As for his main defence, that compulsory discussions must be free of controversial taint, did Sir James Grigg realise the alternative? If this aim is

really achieved, ABCA, instead of having the increasing success it has hitherto won, will become anaemic and insipid, and soldiers will regard it as merely another fatigue. How there can be free discussion of political and semi-political topics, where there is no controversy, it is difficult to see. The whole affair is made even more ridiculous by the fact that, contrary to one or two stories, any soldier can read the Beveridge report as much as he likes, and Command education authorities, according to Sir James Grigg, are encouraged "to provide lectures on the subject by qualified lecturers, both military and civilian, under the ordinary Army Education Scheme."

"Wings for Victory"

Another fillip to the national savings campaign is about to be given by a nation-wide series of "Wings for Victory" weeks in which the arts of publicity and the spirit of local patriotism will be enlisted to encourage the laggard saver to greater efforts of abstinence and to shame the spendthrift. London is to open the effort with a week's campaign from March 6th to 13th, during which it is hoped that at least £150,000,000 will be subscribed to Government loans. This target sets the tone for the whole campaign. It is again to be a campaign of big figures dominated by the big institutional investors, the banks, insurance companies and the like. The old travesty of counting the banks' own subscriptions to longer term Government loans financed by encashments of Treasury deposit receipts, though worn threadbare in the Warships and War Weapons Weeks, is apparently to be repeated. Sir Archibald Sinclair, announcing the campaign and the target figure, suggested that the City of London had "put quite a bit by" for this campaign, evidencing the growth in clearing bank deposits since the War Weapons Week. In its complete misunderstanding and misrepresentation of what is meant by true savings, this suggestion was a most appropriate comment for the occasion. One could disregard these gaffes and recognise the earnest good will and unexceptionable intentions which lie behind them were it not for the fact that by this misdirection of effort the savings campaign tends to defeat the cause which it should serve. The search for the "big figures" and the magic by which these enormous targets are automatically reached and exceeded may do more to bewilder and deter the small saver than to encourage him. To see the banks subscribe their millions to "Wings for Victory" Week cannot inspire the small saver with any spirit of emulation at all. His own contributions appear so swamped by comparison as to lose significance altogether. The risk is, therefore, the discouragement of the very type of saving of which the country needs most—not the conversion of some millions of banks' Treasury deposit receipts into National War Bonds, which is a mere book-entry, but the genuine abstinence from consumption on the part of ordinary people which will set free labour and materials for the war effort.

Shorter Notes

Iraq has declared war on the Axis. This is a fitting close to the strange cycle which goes from the traitor Rashid al Galiani to the trusted statesman, Nuri es-Said. After being the only Arab country partly occupied by the Nazis, Iraq is now the only Arab state at war with Germany. It is not likely that the country will be involved in hostilities as a result.

A Colonial Products Research Council has been set up under the chairmanship of Lord Hankey. It will be an executive body, and its main function will be to consider what colonial raw materials may be of value to industry and to initiate and supervise research in order to increase their use. It is interesting to note that, in announcing the appointment of the new Council, the Colonial Office has reaffirmed the dual mandate—"... the Council will have as their principal objective the promotion of the welfare and prosperity of colonial peoples, and will endeavour also to increase the colonial contribution to the welfare and prosperity of the British Empire and of the world as a whole."

WHAT ARE VITAMINS?

No one had heard of a vitamin until a few years ago and very few people have ever seen a vitamin. But vitamins are important food factors without which no diet can be complete. The essential vitamins in the human diet are A, B₁, B₂, C and D. Vitamin A helps us to see in the dark (the vision of night-fighter pilots depends a lot on vitamin A) and it also helps to protect us from colds and other infections. Vitamin D builds firm bones and strong teeth. Vitamin C is the anti-scurvy vitamin and the vitamins B₁ and B₂ are good for the nerves and the appetite.

There is no danger of vitamin shortage if a careful selection is made from the foods available. Vitamin A is found in carrots, green vegetables, fat fish and fish liver oil; vitamin D, though short in other foods, is abundantly available also in fish liver oil; vitamins B₁ and B₂ in National Wheatmeal bread and yeast extract; and vitamin C in garden produce such as potatoes, swedes and green vegetables.

These natural foods should be included regularly in the diet.

This is one of a series of announcements issued in support of the Government's food policy by the makers of

CROOKES'
HALIBUT LIVER OIL



FULL EMPLOYMENT

The recent articles and letters in *The Economist* on the ways and means of securing Full Employment after the war have been reprinted as a pamphlet. Copies will be available (price 6d.) on Monday next; and applications should be made to *The Economist*, Brettenham House, Lancaster Place, London, W.C.2. (Tel. Temple Bar 3316.)

AMERICAN SURVEY

Ore on the Lakes

(From an Industrial Correspondent)

Cleveland, December 26th

THE 850-mile course from the head of the Great Lakes to the ports on the southern shore of Lake Erie has long been carrying more tons of cargo than any other steamer route in the world. Now the fleet operators are planning to haul 100 million long tons of iron ore alone next year. Because of the concentration upon iron, records are less likely to be broken in the other great bulk cargoes, coal, limestone and grain.

The first cargo of 1942 iron was delivered on March 24th, two weeks earlier than any previous opening. With the help of new or converted icebreakers, the opening next spring may be again advanced by 10 days or more, though almost everything depends on the weather. In most winters, even with the most powerful icebreakers, it would be impossible to take the ships through the narrower channels, not to mention the difficulty of handling frozen ore. Railroad car ferries, however, run all winter on the open lakes.

More than 350 ships will be engaged in the United States and Canadian ore trade of 1943, including about a score which were completed this year or will be delivered before the next close of navigation. Little is heard outside the United States of the shipbuilding industry of the Lakes; but a remarkable programme of bulk carriers has shared the yard capacity with small naval vessels designed to go down the St. Lawrence or Chicago canals to the sea.

In the season which ended this week with the arrival of the last cargo at the blast-furnace docks in Cleveland, a

little over 92 million tons of ironstone were moved. The years goal had been 90 million tons. The 1942 performance exceeded last year's, itself of record-breaking volume, by almost 12 million tons. The ore delivered this year is capable of being smelted into approximately 47 million tons of pig iron; but several million tons will go directly into the steel furnaces. All this ore came from six "ranges" or mining districts not far from Lake Superior. Most of it was mined in the open pits of the Mesabi range, north of the west end of Lake Superior. The Mesabi, a word meaning "giant" in the Chippewa tongue, celebrated the 50th anniversary of its first shipments last month.

Lake Steamers

The largest cargoes of 1942 were again hauled by the Canadian freighter *Lemoine*, which loaded 17,082 gross tons at Superior, Wis., for Hamilton, Ont. On another trip she took 17,775 tons of coal from Ashtabula, Ohio, to Hamilton. The United States Steel Corporation's new 640-foot carrier *Leon Fraser*, with a capacity of 18,600 tons, or one of her four sister ships, is expected to capture next year's record.

The ore trade of the Lakes is handled in a highly specialised type of craft which has developed gradually in 90 years' experience. To-day's carriers have been described as glorified box girders. They are long flat-topped vessels with almost no sheer—straight steel tanks with blunt bow and stern. The pilot house and officers' quarters are just back of the bow and the propulsion machinery and crew's quarters in the stern, with more than 300 feet of hatches between. Saltwater sailors think of these vessels as clumsy and underpowered, but they are rigidly adapted, not only to the mechanical requirements of rapid loading and unloading, but to the competitive economics of the trade. Until this year, speed was never thought so important as minimum time in the turn round; but the introduction of Lentz turbines in the new Steel Corporation's ships is clipping more than a day from the seven days hitherto required for the round trip. In the newest freighters, a pound of coal is now producing almost one horsepower.

The development of Lake shipping has had the help of a number of men from the Clyde. Among those prominent in the construction industry are John T. Webster, formerly vice-president of the Great Lakes Engineering Works; John E. Steinman, general superintendent of the American Ship Building Company; Archibald Rankin, chief engineer of the Manitowoc Shipbuilding Company; and Dean Herbert C. Sadler, of the University of Michigan, a naval architect. All four either served apprenticeships along the Clyde or were graduated from the University of Glasgow. Masters of Lake ships are essentially pilots rather than navigators, according to Mr Webster. They steer by compass and dead reckoning, use miles in place of knots, left and right instead of port and starboard, and are getting away from speaking of fathoms. Most ships on the Lakes now have the gyro compass, the radio direction finder and the ship-to-shore radio.

In the busy seasons, a carrier on the main route is almost never out of sight of another ship. This year, in the approaches to the two series of straits, five or six of them were usually in view. In normal times, most of them carry coal upbound, some of which fuels locomotives as far west as Winnipeg; but in 1942 everything was sacrificed to speed of movement in ore. Most of the ships are owned or managed in Cleveland; and this year they were operated practically as a single fleet under Alexander T. Wood, Office of Defence Transportation director for the Great Lakes, with offices in Cleveland.

In Duluth, Minn., late in the season, a 600-foot ship took on 13,700 long tons of ore in 72 minutes in a routine operation. Unloading on Lake Erie or at the Chicago docks

is a matter of three to five hours. The high ore docks on Lake Superior, on which the trains run out 2,000 feet alongside the ships, the stiff-legged unloading machinery with its 15-ton buckets, and the car dumpers in the coal trade, handling 50 tons at a time, are the spectacular features on an otherwise rather monotonous shore. This mechanical equipment, together with the dimensions of the St. Mary's Canal and the other channels, hold ship design within very close standards.

Due to the subordination of coal to ore this year, the coal movement failed to equal last year's, but did exceed 48 million tons. Far more coal than usual is being handled by rail. About 1.5 million tons of ore in addition were hauled by rail from mines in the Lake Superior district. Fogs, rains and gales made the 1942 season more than usually difficult towards its close, but the ore trade got through without the disasters it has sometimes suffered. About 30 lives were lost near the end of the season in the sinking of an ore barge and its tug, one of the units of a large fleet of tankers and barges which were hauling petroleum and gasoline eastward.

Stocks of iron ore at the furnaces now total about 53 million tons, or about a six-month supply for the furnaces using lake ore. This is the largest pile on record. It occupies all the available storage space; but the margin will be required for the new furnaces which will go into blast next year.

American Notes

Controlled Materials

The new Controlled Materials Plan has been characterised by Mr Eberstadt, vice-chairman of WPB, as "the final plan—not because it is perfect, but because there is a limit to human patience." The main advance is contained in one key sentence:—

Regardless of how the master programme is made up and balanced, it must be kept within the over-all limit imposed by the supply of available raw materials, manpower, and other resources.

At last it has been publicly recognised that indefinite expansion in every direction at the same time defeats its own ends; that plans for increased production must be based on realistic estimates of increased supplies of materials; that provision for essential civilian needs must be given equal consideration with the demands of the Forces; and that one part of the programme can only be increased at the expense of some other part. This is the hardly-learned lesson of the first year of war production.

The responsibility for putting it into practice falls to the Controlled Materials Plan. Its basic assumption is that if the demand for steel, steel alloys, copper, and aluminium can be satisfactorily adjusted to the available supplies, that other goods in short supply automatically will fall into line. The current rubber scare shows that this perhaps is too optimistic. The War Production Board is at present taking the final steps to set CMP in motion. On January 1st, the "claimant agencies" were required to submit to the War Production Board their requirements of "controlled materials" in the second and third quarters of 1943, together with preliminary estimates for the remainder of 1943, and rough guesses for the first half of 1944. By January 15th, the Controlled Materials Branches of the WPB had analysed these figures, and late last week they submitted them to the WPB Requirements Committee, which is in charge of the country's raw materials allocations. On February 1st, the Committee will allocate "controlled materials" for the second quarter of this year to the claimant agencies, who will in turn divide their allotments between their prime-contractors in February and early March. In view of the large amount of preliminary work in starting the new plan, the second quarter of this year is to be treated as a transition period; but the WPB is determined to have the plan in full operation from July 1st. On its successful working, the fulfilment of all major war production schedules will be largely dependent. The CMP, announced by Mr Donald Nelson at a press conference last November, is officially described as "a long-range plan for controlling the flow of critical materials into war production." Its two main aims are (1) to adjust requirements for critical materials to the supply; and (2) to make the quantity and type of materials needed available at the time required to meet approved pro-



Gas contributes to our daily lives in many ways. Gas helps to win the Battle for Fuel by providing half a ton of coke from every ton of coal used in the gas works. Gas-making releases other priceless by-products, from which a thousand and one familiar articles are produced—from the tar for our roads and the flavourings for our foods to explosives, plastics and the homely aspirin tablet.

But for the Gas Industry, the land would never bear such bumper crops. Among the most important by-products of gas-making are agricultural fertilisers, 80,000 tons of which are produced every year by the Gas Industry.

Just now gas and its precious by-products are needed most for war purposes. Do YOUR bit in the Battle for Fuel by burning less gas.

HOW TO SAVE GAS

Ask for helpful pamphlets at your Gas Showrooms or from British Commercial Gas Association, 1, Grosvenor Place, London, S.W.1.



"HIS
MASTER'S
VOICE"

RADIO RECEIVERS AND
RADIO - GRAMOPHONES

INSTRUMENTS of FINE QUALITIES

grammes. It represents an improvement of the so-called "Production Requirements Plan" (PRP) which replaced the original priorities system of raw materials allocations from October 1st last, and which, with the exception of the "controlled materials," remains the basis of the country's materials allocation system. The main characteristics of "controlled materials" are their outstanding importance in war production and their scarcity in relation to approved requirements. For the time being, there are three large groups of controlled materials, namely, steel (i.e., carbon and alloy steels), copper and aluminium. Only these materials will be allocated under the special CMP, but manufacturers receiving their steel, copper and aluminium under this plan are accorded automatically increased priority in the purchase of all other raw materials allocated under the general PRP. The main feature of the CMP is the fact that it switches one of seven contract-placing Government departments (Army, Navy, Maritime Commission, Aircraft Scheduling Unit, Lend-Lease, Board of Economic Warfare and Civilian Supply) called "claimant agencies" under the plan, between the consumer of the steel, copper and aluminium (i.e., the war contractor) and the WPB Requirements Committee. In this, it represents a copy of the British steel allocation system, and introduces double control in both the allocation and the use of "controlled materials" without interfering with the strong central direction of the war production effort. The new plan, after having overcome its initial organisational difficulties, will, to use Mr Nelson's words, "assure the use of every bit of critical material in the place where it will do the most good towards winning the war." What this can mean is shown by the fact that the United States, despite the existing "shortages," has more copper, aluminium and steel at its disposal today than the rest of the world put together.

Strike Against Lewis

The strike of two union branches in the Pennsylvania anthracite mines had to be referred to the President for settlement in view of the refusal of the miners to obey the request of the War Labour Board to return to work; it is now reported that the miners have refused even the President's request. Although there is a demand for higher wages, the main and original point at issue is the increase in union dues levied by the United Mine Workers. It is, therefore, an intra-union matter, but raised to national significance, partly because of its effect on coal supplies in the east, and because it is one more expression of discontent with the high-handedness of Mr Lewis. The anthracite miners, who are in a minority in the union, have always had a grievance because they were outweighed by the soft-coal miners; and this was inflamed to strike-pitch by a 50 per cent increase in monthly dues voted by a union which admittedly is one of the wealthiest in the United States, and has at least \$7,000,000 in its treasury. The funds of the union are at the disposal of Mr Lewis, who has not grudged to spend them in his war against the CIO; and the complaint of the strikers that there is no provision for accounting by the leaders suggests that miners are not entirely in sympathy with Mr Lewis's feuds. They also point out that with the existence of the check-off they have no choice but to pay or lose their jobs. The situation is a difficult one for the War Labour Board, which has sanctioned the check-off and maintenance of membership contracts. Latest reports suggest that the President may order a Government seizure of the mines in order to get the strikers to return. But in the end it is likely that the anthracite miners may break away from Lewis entirely and rejoin the CIO, which recently has been scoring local successes against Lewis' District 50 in Pennsylvania industrial elections. The strike is not of vast importance in itself, but it points the continued unsatisfactory nature of union relations in the United States, and is likely to be cited as proof of the need for stricter control of union funds and policies by those whose inclinations are as illiberal and autocratic as those of John L. Lewis himself.

Debate Over Africa

Recent dispatches make it clear that there is no longer the unanimous blank-cheque sanctioning in the United States of North African policy that appeared to exist two or three weeks ago. Among at least the vocal sections of the public there is a vigorous and at times acrimonious

debate going on. There are, for instance, in David Lawrence, of the *New York Sun*, William and Philip Simms, of the Scripps-Howard papers, staunch upholders of the policy of "collaboration," and bitter critics of so-called "British sniping at Eisenhower." Lawrence recently went so far as to suggest that the reason for this sniping was British anxiety to see Eisenhower replaced by a British general, a fantastic and unworthy charge which Mr Bracken's statement has done something to dispel. There is also a tendency to believe that a solution of the North African muddle has been held up by the insistence of some British Cabinet Ministers that a civil administration be established under de Gaulle, an arrangement which the American Government is said to be unwilling to accept. Right at the other extreme is the position taken by a paper like the *Washington Post*, which severely censures the quality of the political advice with which General Eisenhower has been provided, speaks of "hopeless mismanagement by civilian American officials on the spot" and reminds its readers that

Americans should be the last to complain of free speech since we have never been loth to indulge in it, whether the subject was India or Britain's military efforts or the Beveridge plan.

The State Department, which recently was riding so very high, has not been immune. Dorothy Thompson condemns its collaboration with the men of Vichy and its "persistent snubbing of de Gaulle," as likely to wreck resistance in the occupied countries. The *New York Post* demands an end of "Vichy-washy half-measures" and continues:—

We think the time has come to put the State Department in charge of a new set of characters who have no connection with our past diplomatic mistakes. The same department which thought Mussolini would stay out of the war, which thought Japan could be bought off with oil, and that France would hold and Russia collapse, has now performed a reverse miracle. It has actually cast a cloud over our relations with England.

This, of course, is extreme and unfair. The *Herald Tribune*, which by printing an outspoken and anti-State Department dispatch from its London correspondent, Geoffrey Parsons, revealed for the first time the depth and extent of British disquiet over North Africa, complains rather of unnecessary secrecy:—

There has not been a really frank or intelligible news dispatch from North Africa since the landings more than two months ago. . . . The time has come when it is imperative that some wholesome draughts of fresh air be let into the festering North African situation—a condition which urgently demands correction, and a condition, we suspect, which arises less from specific policies adopted in North Africa than from the secrecy, censorship, and propaganda in which they have been wrapped.

Walter Lippmann, the *Tribune's* famous columnist, has had even sharper things to say:—

The time has come to cease misleading the American public by pretending the political situation in North Africa, which is our responsibility, is muddled because of what has been said and thought about it in London. It is just unsportsmanlike to seek for a scapegoat, and unworthy of a great people.

Mr Lippmann was also openly critical of the political judgment of Mr Robert Murphy, and referred to the

inspired campaign in the American press which, only thinly veiled, has made it appear that, in the opinion of the State and War Departments, Eisenhower's military position is being undermined and his army put in jeopardy by the machinations of the British Foreign Office and of de Gaulle, and of those Americans who presumed to suggest—though they acknowledged the temporary necessity for it—that they were not happy at finding themselves in bed with Vichy Frenchmen.

How far either extreme point of view is shared by the public is hard to say. The average American, while not altogether nappy about the North African arrangements, was probably content to accept them as long as they appeared likely to bring results, and inclined to resent criticism which by implication appeared to reflect on a popular American general and the first major expeditionary force. Now that the censorship is beginning to spring leaks, however, the press may be trusted to make clear exactly what is at stake. There are dangers, however; besides the friction and frayed tempers for which the situation is responsible, the greatest lies in the moral that the isolationists will be only too quick to draw in this period of frustration and bewilderment—that American intervention in European or world affairs wins no gratitude, but merely breeds squabbling over issues which appear remote and obscure.

THE WORLD OVERSEAS

The End of the Conservative Party

(From Our Ottawa Correspondent)

December 14th, 1942

WHY the Conservative Party selected John Bracken as its national leader is easily explained by the conviction of many Conservatives that the party was dying on its feet and by their determination to make a fresh start. But why John Bracken should accept the post is a question that escaped the political pundits as they analysed events of the three-day Conservative Convention in Winnipeg, the party's first National Convention since 1938.

There was agreement on one point—that Bracken as Conservative leader marked a historic turning point in Canadian affairs. A veteran agrarian leader, the shrewd long-lasting Premier of Manitoba, Bracken appeared strangely in the line of succession from Sir John A. Macdonald, Sir Robert Borden, Arthur Meighen and R. B. Bennett. His first step was to change the party's name to Progressive Conservative, with more emphasis on progressive. On allowing his name to go before the Convention, Bracken said there would be no misunderstanding his position if the party became generally recognised as a national progressive movement.

In view of the prevailing cynicism regarding political platforms, which are interpreted by many people merely as election apparatus, the importance of Bracken's declaration in accepting the leadership was largely overlooked. But it will undoubtedly sink in as he proceeds. "I shall be guided by a few basic objectives," he said, virtually thrusting aside the laborious platform drafted by delegates.

He listed 14 points of his own "People's Charter." These covered general objectives: the right of every man to have a job at fair wages, on the basis of service given; the right of private enterprise to a fair return and of the producers to a fair share of the nation's income; the right of equal opportunity in education, in social security; the right of the taxpayer to a fair system of taxation; the right of the public to efficient public administration; the right of future generations to a world of plenty and of peace. In a recent speech, Bracken laid down three primary essentials for the post-war world: an international system of security, an international police force and the restoration of international trade.

His 14th point was: "The right of the people to expect from their leaders a determined effort to disencumber society from the barriers to world trade, world progress and world peace." The difference in direction and purpose found in the Conservative Convention's tariff plank may be judged. The Convention plank was: "We believe that the guiding principle of Canadian tariff policy should be (a) to provide gainful occupation, (b) to maintain a high standard of living, (c) to ensure a fair price to the consumer." Well might the *Montreal Gazette* exclaim that the tariff plank was not much different in principle from that adopted in 1927. But those who know Bracken say Bracken's tariff plank will certainly be the party's plank as long as he is leader, and his plank is based on convictions hardened in the years following the Ottawa Agreements, which corresponded to the most devastating years in the history of Canadian agriculture.

Bracken's Career

Bracken's career is not as well known in detail in Canada as it should be. He left the presidency of the Manitoba Agricultural College (he had previously been professor of field husbandry in the University of Saskatchewan) in 1922 to lead the Progressives, who had just won a majority of seats in the Manitoba legislature. His chief opposition through the years was the Liberal Party, until the growing economic pressure in the wheat industry, which coincided with the term of the Bennett Conservative Government

from 1930 to 1935, forced Bracken into sharp opposition to federal policies. He moved naturally towards the Liberals. Then, when the Bennett Government refused to guarantee deposits in the stricken Manitoba savings bank, though it guaranteed the chartered banks against loss in taking over the provincial bank, Bracken effected an alliance with the Liberals. His Liberal-Progressive following won an election. These developments coincided with the beginning of the end of the Conservative Party in Western Canada, which has not come back since the *débâcle* of 1935.

Bracken's divergence from Mackenzie King is equally interesting. The Manitoba Premier campaigned for the Liberals in 1935. The next year his Provincial Government reached a low ebb in its fortunes and became dependent on small Social Credit and Co-operative Commonwealth Federation groups for a clear majority. This was for Bracken the beginning of a revival of the old progressivism. He swung away from the Liberal Party, since the plight of agriculture mended too slowly. He formed a Western Wheat Committee, which became the chief lobby for agricultural rehabilitation. His Government arranged an exchange of Manitoba honey for Munich beer and initiated a barter deal of Manitoba products for German electrical equipment, which the outbreak of war ruined. He began organising an independent Commission to go to Europe to seek

MARTINS BANK LIMITED

Chairman: FREDERIC A. BATES, M.C., A.F.C., D.L.
Deputy-Chairmen: Rt. Hon. LORD COLWYN, P.C., D.L., LL.D.
R. M. HOLLAND-MARTIN, C.B. A. HAROLD BIBBY, D.S.O., D.L.
Director and Chief General Manager: J. M. FURNISS.

STATEMENT OF ACCOUNTS, 31st December, 1942

LIABILITIES	
Capital paid up ...	£4,160,042
Reserve Fund ...	5,700,000
Current Deposit and other accounts (including Profit and Loss Account) ...	167,804,888
Liability for Acceptances, Endorsements, etc. ...	7,788,960
	£185,453,890
ASSETS	
Cash in hand and at Bank of England ...	£17,302,548
Balances with, and cheques in course of collection on other British Banks ...	5,628,885
Money at call and short notice ...	5,186,000
Balances with Banks abroad ...	20,228
Treasury Bills ...	7,520,000
Treasury Deposit Receipts ...	46,800,000
Bills Discounted ...	64,418
Investments ...	87,120,521
Advances to Customers and other accounts ...	23,846,728
Bank Premises ...	2,869,420
Liability of Customers for Acceptances, Endorsements, etc. ...	7,788,960
	£185,453,890

LONDON DISTRICT HEAD OFFICE: 68 LOMBARD STREET, E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL, 2

markets for Canadian farm products. Bracken's course was a direct criticism of the farm and marketing policies of the King Government.

At the Ottawa Conference in January, 1941, on the Sirois Report on Dominion-Provincial relations, Bracken was the clearest, most convincing advocate of the reforms set out in that Report. Professor Creighton has said: "In the long run, the Report will certainly be regarded as one of the greatest State papers in the entire history of the British Empire. It includes both a comprehensive, factual survey of the problem of Canadian Federalism in its historical development and a constructive, balanced programme of reform." The Sirois Report or equivalent reforms may be taken to represent Bracken's programme of domestic policies.

Underestimation

John Bracken has always been underestimated. First, the Liberals in 1922 thought to absorb him in due course, as they did many other Progressive leaders. Those they did not absorb are all gone except Bracken. Now again, in 1942, it is obvious that the Conservatives, especially the high-tariff wing, have underestimated him. This is due in part to underestimation of the times. Since the war started, the geographical centre of Canadian agriculture has shifted away from the Eastern Provinces. It is found to-day in Manitoba, and Bracken is the logical voice of agriculture, still Canada's greatest industry. But the war has also destroyed many of the ancient tenets of Canadian protectionism. Industry which has out-produced in quality and undercut in cost some equivalent industries in Britain and the United States will never again enjoy unchallenged its former theories of protection. If it can do it with machine-guns, why not sewing machines, automobiles and harvesting machines? Bracken has stood for reductions in farm costs, and there is no reason to think he will ever change.

The reasons impelling him to accept the Conservative leadership are found in his record. As a political innovator, whose practical success lies in obtaining common agreement among diverse elements, he looks for a new national progressive movement in Canada. It will be the end of the traditional Conservative Party. It will probably cut the ground from under the rising CCF.

But, most important, it will provide an adequate alternative to the present Liberal Government, for which the present Parliament is heavily over-weighted. To ascribe his entry into federal politics to personal ambition is to risk the easy mistake that misses the factors motivating a man's actions. Bracken's actions are based on a conviction that an alternative Government must emerge and on a sense of economic trends in Canada in which he has rarely been mistaken in the past.

Roumanian War Economy

[BY A CORRESPONDENT]

January 12th

A SHORT time ago, the Ministry for Economic Affairs was re-formed with the aim of organising and "steering" Roumania's entire economy by one single Ministry. The activities of the different Ministries for agriculture, public works, finance, supply, the departments for aryanisation, for trade, industry and mining, and the Central Bank, are to be co-ordinated by the new Ministry. The main executive organs are an Economic Council of Ministers and the Commissar for prices. Outstanding among the new departments is the Ministry for Army Supply and War Production, which controls mining and heavy industries. German influence is very noticeable, and the aim is undoubtedly to establish central control over the entire economy.

There is, however, a fundamental difficulty in the way of an effective war economy in Roumania. The country is still predominantly a country of peasants, working small plots of land without modern machinery and organisation. Total mobilisation has deprived agriculture of manpower and draught animals. This explains why the ambitious cultivation plans of 1941 and 1942 could not be fulfilled. Winter sowing in 1942 is reported to have reached only 90 per cent, and total sowing in the 1941-42 agricultural season remained under 90 per cent of the plan. The incorporation of Bessarabia and Transnistria, that is, the Odessa province of Soviet Russia, naturally resulted in a much larger agricultural area.

The lack of an efficient agricultural organisation, which

would enable the peasants to use modern production methods, resulted in a strange adaptation of the Russian system of Kolkhoz. Last summer, the Government decreed the organisation of Peasant Communities. Peasants are to combine in a production community, which is legally established if 15 peasants agree to form it. These communities are registered, and their activities include the purchase or hire of machinery, seeds, breeding livestock and other material. Land may also be bought or rented, and credits may be taken. The peasants belonging to a community will harvest their plots individually, but the output will be sold co-operatively. The whole system appears to be a mixture of feudal traditions, western co-operative experience, and collective principles. Although new communities will have priority rights for all state assistance, the response has so far been poor. A semi-official estimate states that 3,000 peasants, owning altogether 15,000 acres of land, have formed such communities. The total arable land exceeds 25 million acres.

Under German influence, attempts are made to expand the cultivation of root crops, oilseeds, industrial crops and rice. Apart from an increase in the acreage under oilseeds and potatoes, no appreciable success could be reported, and 70 to 80 per cent of the total acreage is still under cereals. The succession of bad harvests made the rationing of bread necessary as well as the suspension of wheat exports. The standard loaf is a mixture of 70 per cent wheat and 30 per cent barley, potato flour, maize or flour made from pulse. After another failure of the sugar beet crop, the sugar shortage has become very pronounced. It seems at first sight a paradox that a steady increase in the livestock population has been reported. It expresses, however, a sort of passive resistance of the peasant population against the requisitioning of the harvest at unremunerative prices. Cereals are fed to livestock instead of being delivered to Government agencies. The system of maximum prices for agricultural produce without effective methods of delivery naturally tends to create a black market, and it seems that the considerable increase in prices for all cereals has not eliminated black market activities. Last year, a free market for maize was re-established, but without any success. No appreciable quantities were released by the peasants, and a new maximum price was decreed.

German purchasing organisations, particularly the *Solagra*, have been active for a long time, and the co-operatives of the *Volksdeutschen* are the main agencies for the collection of agricultural produce for export to Germany which is still continuing on a large scale. In exchange, Germany has delivered some agricultural machinery. Apart from sickles, scythes, spades and other small implements, Germany exported to Roumania, in 1942, 2,814 tractors, 40,000 ploughs, 1,500 seed drilling machines, 2,230 reapers, and 250 threshing machines. This is totally inadequate for replacement of conscribed labour and draught animals, not to mention the intensive agriculture which is the main concern of the Germans. Average yields per acre are only 50 per cent of the yields obtained in central and western Europe. There is no prospect of increasing agricultural production during the war. It may be assumed that, so long as the war lasts, harvests will steadily decline even with favourable weather.

Germany's Industrial Penetration

Roumania's industrial activities are completely dominated by direct collaboration with Germany, and to a smaller extent with Italy. The leading iron and steel works and shipyards, as well as the oil companies, are practically controlled by German concerns, such as the Hermann Goering Works, the Kontinentale Oel AG, Mannesmann and Krupp.

The small manufacturing industry is largely engaged on German sub-contracts for civilian articles, and it seems that some raw materials are still being exported from Germany and Czechoslovakia to Roumania. After the re-organisation of the oil industry, a slight increase in production was reported, and the total output in 1942 is estimated at 5.6 million tons, against 5.1 million tons in 1941. The export of crude oil has been prohibited and the rationing of petrol and fuel oil tightened. Almost the only information on economic activities are regular statistics on the founding of new industrial enterprises. These figures are quite impressive, and German capital interests are considerable. During the first six months of 1942, 75 new firms were established against 50 during the corresponding period of 1941. The capital increased from Lei 173 millions to Lei 309 millions. The figures are, however, deceptive, and are to a considerable extent the result of the so-called aryanisation.

The actual situation is revealed by price movements,

which are much more pronounced than in any other Danubian country. The official price index, listing the maximum prices, increased by roughly 200 per cent from August, 1939, to June, 1942. During the summer and early autumn, the price level remained almost unchanged, but at the end of November and during December of last year prices again rose rapidly. Sugar increased by 60 per cent, petrol by 68 per cent and tobacco by 50 per cent. Postal and traffic rates were also increased. The turnover tax was fixed at 5 per cent against the former 4 per cent, and all excises were levelled up considerably. Wages and salaries, which had been raised some time ago, are again far behind the new general rise. District prefects and mayors have been forced to release foodstuffs and fuel below the maximum prices for the supply of the lowest-paid classes. Black market activities are widespread because of a totally inefficient price control. The so-called price scissors, that is, the difference between low agricultural prices and high prices for industrial commodities, seem to have resulted in the hoarding of money by peasants who appear to hope that one day the price relation may become more favourable.

Financial policy is indicated by the official report that total expenditure during 1941-42, amounting to Lei 160,100 millions, was covered to the extent of 46.3 per cent by revenue. During the first nine months of 1942, excise and other indirect taxes yielded Lei 36,700 millions, against Lei 20,200 millions during the corresponding period of 1941. Monopoly revenue increased in the same period from Lei 7,100 millions to Lei 17,500 millions. The increase in direct taxes was, however, much smaller, rising from Lei 6,800 millions to Lei 10,100 millions. The main part of the revenue is thus derived more and more from indirect taxes. A considerable part of expenditure is accounted for by public works, particularly the improvement of rail and road communications and waterways, but the major part is military expenditure, amounting to Lei 130,000 millions during the last two years, which equals the total military expenditure during the previous twelve years.

Portugal's Budget

January 2nd.

DR. COSTA LEITE, Portuguese Minister of Finance, in his preamble to the estimates for 1943, points out that while both receipts and expenditure are much above the 1942 figures, the practice of spending only within income is still maintained. Aggregate receipts will be greater, despite a heavy drop in import duties. These, put at 460,000 contos (1 conto = £10) in 1939, were estimated at only 300,000 contos for 1942, a sum which is unlikely to be reached, and which justifies a reduction in the 1943 estimate to 250,000 contos. There is a lucid explanation of the Government's financial policy. It is claimed that together the banking system and the Treasury had immobilised over 3 million contos during 1942, funds that would otherwise have

weighed on the market and added to the danger of inflation.

On the expenditure side, national defence accounts for the major outlay, although the increased cost of all material, over and above the items needed by the armed forces, has also affected the figures. There is, nevertheless, no cutting down on social services; on the contrary, a new fund has been started, with 30,000 contos as its nucleus, with the object of improving the lot of Portugal's civil servants. An official enquiry into their means of subsistence, now in progress, appears to show that in view of the increases in the cost of living, their position ought to be improved without delay. The 1943 estimates are given below:—

1943 ESTIMATES			
Revenue	contos	Expenditure	contos
Ordinary	2,302,425	Ordinary	2,292,529
Extraordinary . .	1,167,774	Extraordinary . .	1,176,825
	3,470,199		3,469,354
Estimated Surplus 845 contos.			

Books Received

"Excess Profits Tax and NDC." By N. E. Mustoe (London) Pitman. 418 pages and insets. 25s. net.

This is a discussion, and to some extent an explanation, of very complex rules relating to these two taxes. But the whole of the legislation is reproduced in the appropriate section of the discussion. The whole is illustrated with numerous examples. By subdivision into short chapters and the inclusion of a useful index reference is greatly facilitated.

Eastern Europe and the United States. By J. Hanc. (Boston) World Peace Foundation, 95 pages. \$0.50.

America Faces the War Series. No. 17. *Interests of the United States as a World Power*. By W. H. Shepardson. (London) H. Milford. 32 pages. 6d. net.

PELICAN BOOKS:

American Public Affairs Pamphlets. No. 73. *After the War?* By Maxwell S. Stewart. (New York) Public Affairs Committee. 32 pages. 10 cents.

Peace Aims and Post-War Planning. A Bibliography Selected and Annotated by F. M. Brodie. (Boston) World Peace Foundation. 53 pages. 25 cents.

Reconstruction and Town and Country Planning. By Sir Gwilym Gibbon. (London) The Architect and Building News, 2 Breams Buildings, E.C. 4. 267 pages. 15s. net.

The Historian Looks Forward. By J. H. Clapham. Sidney Ball Lecture, June, 1942. (London) H. Milford. 16 pages. 1s. net.

Mathieson's Handbook for Investors for 1943. (London) Fredc. C. Mathieson and Sons, 16, Copthall Avenue, E.C. 2. 331 pages. 5s. net.

City of Birmingham. Financial Statement, 1940-1941. (Birmingham) Treasurer's Department, Council House. 363 pages. No price stated.



Established 1829

DISTRICT BANK

LIMITED

HEAD OFFICE:

Spring Gardens, MANCHESTER, 2

PRINCIPAL LONDON OFFICE:

75 Cornhill, E.C.3

PRINCIPAL LIVERPOOL OFFICE:

3 Water Street

Subscribed Capital £10,560,428 Paid-up Capital £2,976,428

Reserve Fund - £2,976,428 Deposits - £145,967,543

Total Assets - £155,087,146

31st December, 1942.

EVERY BANKING FACILITY

THE BUSINESS WORLD

Patent Reform—II

Encouragement of Enterprise

AN article on patent reform in *The Economist* of January 16th drew a picture of the results of the existing patent legislation, in an industrial set-up very different from that for which it was originally planned, and suggested that a drastic overhaul was needed. The object of the present article is to attempt an analysis of the problems to be solved in encouraging new developments without giving undue power to those who make them available to the public. This is no new problem. Its solution has been attempted more than once in this and other countries; but advance in political ideas, no less than the development of industrial and financial technique, raises the hope that a fresh survey may lead to more promising results.

A study of existing patents suggests that it would be extremely difficult to define just what is capable of securing this protection. What is, however, very evident is that patents are extended to matters of greatly varying degrees of importance. Real discoveries are not the subject matter of patents. Speaking very broadly, the fruits of the pioneer scientific research of the civilised world are made public and become the property of all nations without fee or condition, and without reward to the discoverer, other than the personal satisfactions of standing and kudos. It is only the little bit of tinkering which has a cash value. In the one case, the assurance that the confines of ignorance have been pressed back a step is the reward; in the other, the public is all too often made to pay a very high price for a benefit which must be assumed to be real, since people are ready to pay for it.

Not so very long ago, the above was in no sense an exaggeration of the actual position; but for some decades past an increasing proportion of relatively long period research has been done by a few industrial groups. They are still only seeking the practical applications of principles worked out for them by the professional discoverer, and they are continuously indebted to him for new contributions to their knowledge, but they do, in fact, make a substantial contribution themselves. This research work, carried out by teams of educated experts, sometimes under the direction of a scientist of eminence, is responsible for one of three classes of output whose proper treatment has to be considered. The others, standing above and below it, are respectively, invention and adaptation. The former may be described as the product of genius; the latter of skilled craftsmanship, engaged in improving its tools, whether these are physical machines or scientific processes.

The type of mind, the training and the degree of organisation likely to produce each of these three results differ widely. It is highly improbable that any one system of reward will secure the optimum result in all three cases, or that the protection afforded, and means of granting it, should necessarily be the same in each. A flash of genius is not a thing which it is easy to stimulate or to suppress. Provided that the possessor of genius is sufficiently removed from a subsistence standard to feel reasonably fit, it is other elements in his make-up that decide whether a sense of

success, due to a munificent reward, or a sense of want, caused by the failure of his latest idea to catch on, or something quite different from either of these, is best calculated to strike the next spark. It is certain that genius should be rewarded, when it can be recognised as such, whether its results bring tangible or imponderable improvements; but it is difficult to see why any person, or institution, should be allowed to buy the fruits of genius and reap a profit of hundreds or thousands per cent, while restricting the benefit to the community for a period of seventeen years. Whatever may be the best solution in other cases, it seems a matter for serious consideration whether, insofar as the product of genius is a "gadget," such as the "zip" fastener or the angle poise lamp, the licence of right is not a better method of bringing into harmony the reward of invention and the well-being of the community. Experts go wrong in assessing public taste, as in other matters; but there is little doubt that any competent expert would have a high percentage of successes in guessing whether such products would or would not prove popular.

The second class of "product" which may be the subject of protection by patent is a mere improvement on some existing machine or process. It is eminently desirable that these should be encouraged and that they should pass into general use as quickly as possible. In these days, the technique of all industries is in some degree interdependent. The general spread of the knowledge of an improvement in one quarter will quickly produce others, with snowball effect. The segregation of each improvement withholds the stimulus from the others. Except insofar as knowledge is not only shared, but, occasionally, put to use throughout a monopolistic national or international group, this stimulus may, under existing law, be held up for a considerable term of years. In point of fact, such delay is the rule rather than the exception.

By definition, this class of contribution is the result of craftsmanship, and it seems reasonable to suggest that the reward should go to those actually making the contribution rather than to their employers. In this case, the reward would, presumably, come from the public purse. There can be little doubt that the stimulus to improvements thus produced would be very substantial, since the reward would be certain. There remain, however, two problems to be faced, those of securing that the employer did not actively discourage improvements and that the new idea was made generally available. Provided the first were satisfactorily disposed of, the second would give no trouble, since the actual craftsman would have to communicate and substantiate his claim to the appointed authority to obtain his reward. It is not apparent that, under such a system, there would be any loss to the firms. They would tend to gain by the improvements of others as much as they lost by sharing the contributions of their own workpeople. If necessary the employer could be granted some compensation, possibly through some such machinery as licence of right. There would appear to be no case for any patent rights in mere improvements, but there will, admittedly, exist a border line of doubtful cases which should be considered as a product of genius and treated accordingly.

The third class of subjects for patent, the product of teams of research workers, is by far the most important and, perhaps, the most difficult to deal with. This work is at present carried on by bodies of university standing, sometimes financed in part by industry; by special institutes, set up and financed wholly by sections of industry; and by single firms, usually manufacturers, but occasionally chain stores and similar concerns. In America, some university research institutes run industrial research as a commercial proposition. While much of this work is of a rather pedestrian character, its total effect is of substantial importance. It is eminently desirable that the effective results

of research should be increased; that knowledge of results should be passed on to all conducting allied or parallel work as quickly as possible; and that the results should be incorporated in industrial practice wherever they can be used to benefit the community. Insofar as the results of research are at present considered suitable for protection by patent, there is no certainty that a patent will be taken out, in which case the results remain hidden. If a patent is secured, its use will, in all probability, be restricted to the group responsible for the research until the patent expires. This may be the case whether use is made of it or not. Thus, even if it is asserted that the total amount of research carried out in this country is sufficient in normal times, it is quite evident that the other two desiderata are not obtained.

It is by no means clear why so large a proportion of industrial research should be left in the hands of manufacturers. There is room for independent investigations on a much larger scale by university and similar bodies, and by those engaged in supplying directly the needs of the consumer. There would, indeed, seem to be something to be said for special research in the interests of the consumer, presumably financed out of taxation in the first instance, if other methods proved unsatisfactory. It must be recognised that, until such time as the legal framework ensures that the manufacturer and the distributor work in the public interest, it cannot be left solely to them to safeguard consumers. There would appear to be no reason why research institutes should prove a heavy burden, even if financed by the state, so long as the benefits they conferred were really passed on to the public. It is, however, very doubtful whether such a system could be made to work without some coercion of industry, for it is essential for much research that those carrying it out should live and work in the closest co-operation with the concerns which will eventually use the fruits of their labour. It is one of the criticisms of the present system that this is frequently not the case; but it is believed that this stricture does not apply to really important industrial research groups.

Here, as elsewhere, what is really required is an adjustment of the whole outlook of industry—away from the ideas of organised scarcity and a conservation of the value of existing physical capital, towards a determination to produce the largest possible quantities of desirable goods at the lowest price. It is open to the gravest doubt whether this end can ever be attained while it is possible to obtain a monopoly in the right to use a new machine or process for the present period of 17 years. Something might be achieved by a drastic reduction in the minimum period of protection, coupled with a ban on undue delays in definite application, and with a complete bar on extension by mere improvements or adjustments. It seems, however, that the substitution of the licence of right may be a more fruitful avenue of approach. It need hardly be explained that under this system anyone paying an agreed rent would have the right to use the subject matter of the patent.

It is asserted that this would discourage research and lead to concealment of the results of such investigation as

was still carried out. It is not clear why this would be the case as regards research, except under a quasi-monopolistic organisation of the industries concerned. In the presence of anything approaching free competition, firms would be bound to inquire into matters which affected them intimately. There is a considerable probability that their own discoveries would be more useful to them than to others, although the cumulative effect upon them of all the other progress would be very great. The problem of ensuring disclosure of information which might be inconvenient, at the time, to the discoverer, if he had to allow a rival the use of it, is more difficult to solve. But it is just this course of events which it is necessary to ensure. It is essential to face the fact that one cannot have both the maximum improvement in methods and the maximum protection to existing methods at the same time. What is required is a fair balance between the two, and in the past the scales have been heavily, and increasingly, weighted in favour of the latter. If British industry is not to suffer a continuous hardening of the arteries a change must be made.

There is no ready-made solution to this problem; but one or two contributions towards its solution present themselves. Finance of capital acquisition and extensions might be made subject, in all cases, to the test of acceptability to the market by a limitation on the building up of large reserves, gradually invested in the business. An increased proportion of the capital raised should be redeemable after only a moderate life. This practice has become more general of late, but with the hope of benefiting from a falling rate of interest, rather than of reducing the percentage actually financed by prior charges. Finally, the whole attitude of the Inland Revenue towards the subject of capital replacements might be much more positive than it is. This might, of course, mean a reduction in the tax income from the profits of any given company if competition were fully effective. But in that case the taxpayer would, presumably, reap a larger benefit as consumer than the damage he would suffer, even in the improbable event of a decline in total taxable profit. All these adjustments would tend to remove the accent from the maintenance of the value of existing capital; but they might well not prove sufficient to overcome unwillingness to impart information to a competitor. If that were so, the state would have to apply some sanction in the general interest.

The objects of this and the preceding article have been to sketch the existing effects of the patent laws and to point to objectives rather than to prescribe remedies. It is hoped, however, that they will have indicated that the objections to change are not insuperable. The point will, of course, be raised that this country cannot act alone. The United States is already considering action of a drastic character. But, even if that were not the case, the objection is not valid. By a system of international agreements, on most-favoured-nation lines, this country can protect itself, while enjoying increased benefits from its own research and invention and retaining those it now receives from overseas. Revision of the patent laws may not, by itself, solve problems, but it is an essential ingredient in their solution.

Finance and Banking

More Bank Cash

The position in the money market has eased considerably this week. The banks have again become buyers of bills, and the discount houses have found no difficulty in obtaining the facilities required to take up their allotment of Treasury bills without having further recourse to the special buyer. The Bank return reveals an exceptional expansion in bank cash, the total of bankers' deposits having risen by £20,342,000 to £166,577,000 over the week ending Wednesday. Many currents have contributed to this movement. The most important is evidently a substantial excess of Government disbursements over the amounts paid in taxes and through Government borrowing. That excess is not reflected in Public deposits, which have only fallen by £232,000 from the already low figure of £9,739,000 recorded the previous week. Rather is it evidenced in the rise of £19,390,000 in Government securities, indicating further substantial recourse to ways and means borrowing from the Bank of England. The banks' cash position has also been helped by a further return of notes from circulation, the latest total of the active circulation showing a fall of £4,718,000 on the week. A

further source of help has been the continued clearing of India stock repayment warrants, revealed in a reduction of £3,302,000 in Other accounts. Concurrently with the last movement, Other securities have fallen by £7,430,000, and are returning to the normal level they occupied before the India loan repayments at the beginning of the month. It may seem surprising that the India Government should have been compelled to seek any assistance from the Bank of England for this operation, given the size of its sterling assets. Most of these were invested, and even those in such liquid form as short dated Treasury bills could not be converted into the cash that was immediately required without some assistance from the central bank.

Bank Chairmen's Speeches

Restrictions of paper have necessarily curtailed the feast of wisdom which the bank chairmen spread yearly before their shareholders. It cannot have been shortage of material that is responsible for the cuts, for, with the Kennet and Beveridge reports before them, the new ventures of banking into coupon clearing, the part played by

SUN LIFE ASSURANCE COMPANY OF CANADA

(Incorporated in Canada in 1865 as a Limited Company)

SPECIAL ANNUITY PLANS

Write for particulars to H. O. Leach (General Manager for British Isles)
141 SUN OF CANADA HOUSE, PALL MALL EAST, LONDON, S.W.1

the banks in Government finance, to say nothing of the storm of criticism to which the banks have recently been subjected, there would have been ample subjects to fill any chairman's speech of the old proportions. References to more general subjects are sparse. Sir R. Noton Barclay, however, slips in an unconditional mark of approval of the Beveridge plan if only "because it would be a calamity if the conclusion of hostilities should find us without a clearly defined programme for the changed world that will emerge." Lord Wardington referred to the "vicious spiral" of rising wages and prices, but could not allow the clarity of his vision in this matter to harden his heart against the case for giving the staff of his bank a substantial wartime bonus. In most speeches, however, the main inspiration was provided by recent criticism of the banks in Parliament, in the press and on the episcopal bench. Some chairmen, like Mr Beckett, gave the answer direct by arguing that the banks were democratically controlled, that to nationalise them into a monopolistic Government money trust would deprive them of much of their elasticity and efficiency, that there is no such thing as "costless credit." But the most effective answer of all was that of Mr McKenna, who chose the more positive method of expounding one great basic virtue of the banking system, namely, as a labour-saving device. He illustrated his point by impressive details of the work now done by his bank in handling coupon accounts, and then drew the parallel between these services and the comparable functions which the banks perform in conducting the money side of the nation's business. On the whole, there is not much light to be extracted from the bank chairmen's speeches this year. But they are of interest as showing the bankers awake at last to the dangers that beset their institutions as free and independent enterprises and prepared to take up the challenge.

Banks and EPT

The main item of information regarding the banking industry which is to be culled from the chairmen's speeches is Lord Wardington's reference to the disparity between true and published profits and, in consequence, to the assessment of banks to Excess Profits Tax. On the grossed-up published profits, the bank should by now be paying EPT. But Lord Wardington explained very clearly why published profits are no true guide to the taxable profits. The main discrepancies were explained as follows:—

The loss or gain arising from either the sale of investments or the allocations to, or recoveries from, bad debts, come under the category of those sums which must be included in a statement required for the purpose of computing income-tax, but they do not necessarily come into our published profits. . . . In our case the profit of the standard year for EPT was not unfavourable, owing principally to the fact that larger profits than usual were made from the sale of investments. . . . There have been years in which the depreciation of our investments has called for the provision either from profits or reserves of an amount equal to 18.9 per cent. of our earnings, while in other years the actual sale of investments has yielded a surplus available technically to be brought into profit or added to reserve, equal to 16.7 per cent. of our earnings. . . . To show these differences year by year by a closely detailed analysis of our profit and loss would be impracticable. . . . the whole matter [of presenting comparable published profit figures] seems to resolve itself into a question of sound banking judgment.

This official confirmation of the suggested solution of the banks' EPT puzzle proffered in *The Economist* on December 26th last will be most welcome. It will settle once and for all the "mystery" which has of late bemused many financial commentators. But it also confirms the con-

tention of *The Economist* that the banks must be ranked among the favoured in the grand EPT lottery.

Empire Sterling Balances

The latest Treasury order for the vesting or redemption of a number of Indian railway sterling debentures involves stock of a nominal value of about £31,000,000. The repayment of this amount of sterling debt will only nibble at the vast accumulation of sterling resources now in Indian Government hands. On January 8, 1943, these resources amounted to £308,300,000—and this after providing the £58,250,000 required to pay for the previous repatriation of sterling debt effected on the fifth of the month. It will be seen from the appended table that the volume of Empire assets in London has grown appreciably over the latest twelve monthly period available in each case despite further considerable repatriation of sterling debt, notably by India and South Africa.

EMPIRE STERLING ASSETS

India (Jan.)	214,400,000 (1942)	308,300,000 (1943)
Australia (Oct.)	39,700,000 (1941)	59,500,000 (1942)
New Zealand (Aug.)	12,100,000 (1941)	25,200,000 (1942)
Eire (Sept.)	81,076,000 (1941)	93,794,000 (1942)
South Africa (Nov.)	21,670,000 (1941)	1,060,000 (1942)
Total	368,946,000	487,854,000

In addition, there is a substantial balance of Malaya's sterling assets, which at the time of the Japanese invasion were approaching £100,000,000. The various Colonial Currency Boards have increased their sterling assets, and the sterling accumulations of the countries in question have, for the most part, taken the form of interest-free loans to the British Government. Finally, there are the sterling balances accumulated by Allied countries, which by agreement with the British Government are temporarily investing their surpluses in sterling. These surpluses may arise from such diverse causes as an excess of current exports over imports, as in the case of the Belgian Congo, or compensation for sunk ships, as in the case of Norway. On the evidence of the figures given above, and of estimates for the unpublished data, the guess may be hazarded that the sterling assets of Empire and other sterling bloc countries are now in the neighbourhood of £600,000,000, having risen by more than £100,000,000 over the past year. That figure will go some way towards offsetting what remains of Britain's foreign investments and brings well within sight the possibility of this country ending the war as a debtor nation.

Union Discount's Portfolio

An exceptional expansion is shown in the balance-sheet of the Union Discount Company for the end of 1942. Its total has jumped from £87,804,785 to £109,673,092. The whole of the increase in resources available to the company has come from secured loans and deposits. The investments have fallen during the year from £21,918,938 to £19,324,624. The whole of the increase in assets is to be found in the item of bills discounted and short-dated maturities, which this company continues to merge in one item. Its total, after deducting bills rediscounted, has increased over the year from £54,100,577 to £81,361,634. The short-dated maturities included with the bills are probably those maturing within two years, and among them will rank Conversion 5's, which, though they could run to 1964, are almost certain to be converted at the earliest possible redemption date, namely, August, 1944. Conversion 2's redeemable in 1943-45 would also rank for inclusion with the bills. The growth in this composite item over 1942 is in some measure a reflection of the larger volume of Treasury bills issued through the discount market. That it is not attributable to a growth in the holding of commercial bills is indicated by the fall of liabilities in respect of bills rediscounted from £9,153,396 to £6,263,327. In this respect the experience of the Union Discount does not appear to have conformed to that of Alexanders Discount.

National Discount Results

Changes in the National Discount balance-sheet follow very closely those shown by the Union Discount. Invest-

ments have fallen from £15,164,817 at the end of 1941 to £14,815,410 at the end of 1942. This, however, need not imply that the holding of bonds has fallen. Short-dated maturities are, as in the case of the Union Discount, included with bills, and it is probable that the line of demarcation between what is an investment and what is a bond eligible for inclusion in the bill portfolio is roughly the same as that applied by Union Discount. The holding of bills and short-dated maturities of the National Discount has risen over the year from £36,234,466 to £48,738,309. These totals are arrived at after deducting the liability for bills rediscounted. This amounted to £4,130,633 at the end of 1942—against £4,063,328 a year previously. On this evidence, the turnover in commercial bills (to which this item applies) seems to have shown little change. The chairman, in his statement accompanying the report, suggests that there has been a further contraction in the supply of commercial paper and that the company's maintenance of this item is thus gratifying. The only other comment of general interest in the statement is that there have been more opportunities for operations in the short bond market during 1942 of which the company took advantage. That, no doubt, explains the slight increase in the net profit from £180,515 to £192,431.

America's Bullion Reserves

Among the symptoms of the United States' growing war effort is the decline in the rate of accumulation of gold and silver. In the case of each of these metals the net amounts acquired by the US Treasury last year were the smallest for over a decade. The gold reserve on December 30th amounted to \$22,750 millions, an increase of only

\$24 millions over the year. The Treasury's net acquisition of silver during 1942, is estimated by Messrs Handy and Harman at 63,400,000 ounces, the smallest figure recorded since the inauguration of the silver buying programme. The annual review of this firm of bullion dealers states that, as regards the silver situation in the United States during 1942, there was but one outstanding feature, namely the transition of silver from civilian life to active service in America's war effort, a transition which involved at times a sharp conflict between the natural laws of supply and demand, politics and the control administered by Government agencies. In the estimated total of Treasury purchases for 1942 are 14,400,000 ounces of foreign silver contracted for before November 28, 1941, the date on which the buying of foreign silver was discontinued by the US Treasury, while 48 million ounces were derived from domestic production, for which, of course, a highly subsidised price is still paid. It is estimated that the US Treasury holdings of silver on December 31st last were 3,342,600,000 ounces. It appears that when the question of lend-lease US Treasury silver to industry was under discussion in Congress a memorial on silver policy, signed by more than fifty American economists, was presented to the Senate. The gist of it was that unless the bill then before the Senate was amended "it would convert silver certificates into an irredeemable paper money." The economists went on to suggest that any conversion of silver from monetary reserves to industrial uses should be accompanied by corresponding withdrawal of silver certificates. There is much sense in this last suggestion, which overcomes the faultiness of alternative suggestions that silver in the form of electrical wiring in Government factories should still count as part of the Treasury reserve. But the horror expressed at the possibility of silver certificates becoming irredeemable paper currency does not promise too well for the approach to post-war monetary problems.

Investment

Reduced Momentum

It is, presumably, pure accident that the spurt in business last week should have coincided with a slight lull in the progress of the United Nations and this week's excellent performance with a falling off in market activity. Real progress in Tunisia would, in all probability, give the markets a fillip, but even the spectacular gains of the Russian armies have failed, so far, to provide any noticeable stimulus. None the less, the generally firm trend has continued in both equities and fixed interest stocks, although at a reduced rate in each case. The announcement of the further India vesting has failed to promote the buying of the Funds necessary to maintain the rate of advance, but it promises to extend considerably the period over which new demand will exert an upward pressure. Unless, however, India and the Dominions are prepared to take over equity stocks of concerns operating in their own territories—and the general opinion is that they will not—it seems that the list of these adventitious aids to the Treasury's cheap money policy is almost at an end. Nor must it be forgotten that the news of a fresh savings drive, dressed in all the old faded trappings, will divert attention from existing stocks to the tap issues and, in all probability, lead to some sales of the former to provide funds for investment in the latter. Even if it does not do that, it will certainly mean delay in placing "savings" until the local campaign comes round. Thus, there is little net change in the general outlook and the feature of the week has been a relapse in home railway equities. It is still some weeks before the results will be known and it looks as though this market will be irregular. Whether even existing levels will long survive the dividend declarations is thought to be doubtful, unless the available revenues are larger than seems at all probable.

Another India Vesting

Investors, conversant with the rapid accumulation of sterling balances by the Government of India, must have known that it was only a question of weeks or months before the few direct obligations still existing in the London market would be taken over. Of the twelve Indian railway debentures for which the Government is responsible, three are to be repaid in the terms of the prospectus on Feb-

ruary 4, 1944. The remaining nine, mostly irredeemable stocks, are vested in the Treasury, the holders being paid the current price plus interest to March 12th, on which date payment will be made for securities, delivery of which is completed by February 19th. In other cases, payment will be made three weeks after delivery. The usual arrangements are made for placing the proceeds in British Government tap issues. The amount involved is some £31 millions, split as to one-third among the three stocks repayable next year and two-thirds among the nine vested. It may be recalled that, early in October last, the Treasury entered into an arrangement whereby it undertook to meet annuities of the Indian railways, to a total of some £34 millions, in respect of a cash payment of £30 millions, while the end of the year brought the taking over by the Indian authorities of the outstanding securities of the Bengal North-Western and Rohilkund and Kumaon lines at a total cost of some £15½ millions. Added to £27½ millions of India's direct loans which have been repaid since the outbreak of war, this makes a formidable total of some £350 millions. It is true that a few millions of the last named are still held outside this country and India, but, against this, there have been other repayments through normal channels. All these repayments have not, however, kept the accumulation of sterling balances from growing, and, now that virtually all sources are exhausted, it is difficult to see how further accumulations can be met. From the investor's standpoint, there remain only a few non-guaranteed debentures, the railway annuities—not extinguished by the Treasury deal—and some railway "equities." Excluding annuities, these have a total face value of some £12 millions, and it is doubtful whether some would be considered suitable for vesting. In any case, they and direct liabilities of £12½ millions are too small to affect the position. The operation should give a further fillip to the market for fixed interest stocks, which is already showing signs that the special stimulus given by dividend money and the final payments on India 3½ per cent stock is waning.

Far Eastern Compensation

The Joint Committee, representative of commercial interests in the territories occupied by Japan, has received a reply from the Colonial Secretary to its letter of November 26th. This letter is substantially on the same lines



**FOR ALL
INSURANCE
NEEDS**

**ROYAL
INSURANCE
COMPANY
LIMITED**

Head Office:
LIVERPOOL LONDON
North John St. Lombard St.

as that of October 27th, dealt with in *The Economist* of December 12th, but it is, possibly, a shade more encouraging. It makes it quite clear that, when the extent of damage to private property is known, such contribution will be made from public funds as proves possible. It goes on to emphasise the desire of the Government to undertake, as soon as possible, discussion of practical plans for reconstruction and restoration. In discussing the matter last December, *The Economist* took the view that reconstruction and its finance should both be matters for international planning, and there is no reason to change that opinion. It is, however, clear that there is a duty incumbent upon all industries, whether suffering exceptional loss of capital assets or not, to prepare plans for the resumption of activities in the interests of the general reconstruction. It cannot be said, at this distance of time, what the requirements of those days will be, and it is very difficult for those whose assets are in enemy hands to assess the position. It is not impossible, however, to prepare statistics on the basis of pre-war conditions, with suitable adjustments for changes in costs and other war-time developments, which will provide a framework for future planning. Nor should it be impossible to carry out some of those measures of economy which have repeatedly been urged upon the tin and rubber industries as the accompaniment of, if not the alternative to, restriction.

The Bernales Litigation

Last week saw the conclusion of a further stage in the long process of bringing the case of disappointed investors against the Bernales group to final trial. Last autumn, there had been a demand that the proceedings be set aside, and in October the Master of the Rolls refused this application. The defendants thereupon appealed to Mr Justice Croom-Johnson, who substantially reduced the complexity of the case by ruling that the charge should be limited to one of conspiracy, and the number of plaintiffs to eight. The plaintiffs appealed in turn against this and the better part of last week was devoted by Lords Justice Scott and Goddard to hearing the appeal. In the result, all the plaintiffs remain in, but the trial is limited to one of conspiracy, the claims of deceit and breach of the Companies Act, in respect of liabilities under the prospectuses of the companies concerned, being excluded. The defendants accordingly dropped their cross petitions. Leave by one of them to appeal to the House of Lords on the question of misjoinder was refused. The defence has to be delivered by the first day of the next law term, and there is to be an agreed application that the whole of the conspiracy charge, and any interlocutory applications or further proceedings, shall come before one judge. It is not clear that the plaintiffs lose anything by the limitation of the action to conspiracy. Indeed, it seems to be the only method of retaining all the defendants in the action. A great deal was said concerning the extreme complexity of the case, and it seems certain that the trial will be a protracted and difficult affair. It may be long delayed by the need to collect evidence in Australia. Complexity and difficulty are, however, matters which must be overcome. Otherwise, there can be no adequate protection for the investor. The moral of the tale, up to this point, is that much greater checks ought to be imposed at an earlier stage. In particular, that pyramiding of control through holding companies, and similar devices, ought to be drastically curtailed, and that the full facts concerning all companies in a group, of which any part of the capital of any company is held by the public, should be freely available to all interested.

Suburban and Provincial Scheme

According to the official count at the meeting of ordinary shareholders of Suburban and Provincial Stores last week, the scheme for conversion of that type of capital into 3 per cent preference shares was carried on a poll, having been lost on a show of hands. The voting, by value, was 1,054,657 for and 333,460 against. The majority amounts to almost 76 per cent of the total, so that the necessary 75 per cent was covered, on this count, and the scheme would, normally, go forward. It appears, however, that a number of proxies were rejected as being technically bad, and the committee, set up to oppose the scheme, has instructed counsel to apply to the Court under Section 61 of the Companies Act to have the motion set aside, presumably on the ground that some or all of the rejected

proxies were good. If proxies to the amount of 18,000 shares against the scheme had been admitted—everything else remaining unchanged—the motion would have failed to secure the necessary majority. It seems a little odd that so large a proportion of the independent holders of an equity stock should have voted for a fixed dividend of such modest dimensions. But, on the post-card vote taken by the company before proceeding with the scheme, the vote by value, was £968,343 in favour, and £180,747 against; majority in favour of 84 per cent by value, the number figure being 87 per cent. Thus, while, on the fuller count the favourable vote rose by 86,314, the adverse one increased by 152,713 or 84 per cent.

Insurance Share Index

The accompanying table shows *The Economist* index of insurance shares at December 31, 1942, with comparative figures at half-yearly intervals since the end of 1940. The index is compiled on the basis of an investment of £1.00 in each of twenty-four representative securities in 1913. It keeping with the general trend of Stock Exchange values

Company	Dec. 31, 1940	June 30, 1941	Dec. 31, 1941	June 30, 1942	Dec. 31, 1942
Alliance	1,512	1,554	1,848	1,806	1,995
Atlas	2,476	2,667	3,016	2,984	3,044
Caledonian	3,271	3,397	3,963	4,151	4,277
Commercial Union	2,993	2,939	3,320	3,537	3,644
Employers' Liability	2,297	2,252	2,486	2,522	2,567
Equity and Law	1,155	784	1,155	1,237	1,732
General Accident	8,667	8,833	11,000	11,333	13,666
Gresham Fire	2,381	2,381	2,857	2,857	3,095
Guardian	2,487	2,500	2,961	3,077	3,192
Legal and General	5,874	6,421	7,213	7,924	8,197
Life Association of Scotland	1,664	1,426	1,640	1,831	1,783
London and Lancashire	3,539	3,615	4,000	3,923	4,077
London Assurance	2,183	2,426	2,620	2,620	2,523
North British & Mercantile	4,204	4,140	4,777	4,713	4,904
Northern	1,522	1,493	1,731	1,761	1,851
Phoenix	1,353	1,421	1,624	1,624	1,793
Prudential	1,918	1,798	2,182	2,494	2,182
Royal	2,624	2,538	2,839	2,796	2,882
Royal Exchange	3,573	3,573	4,128	3,943	3,943
Scottish Life	2,360	2,247	2,458	2,540	2,640
Scottish Union & National	2,588	2,366	2,625	2,958	3,106
Sun Fire	2,311	2,311	2,604	2,622	2,755
Sun Life	2,217	2,217	2,519	2,418	2,317
Yorkshire	2,474	2,525	3,041	3,092	3,195
Average	2,818	2,826	3,144	3,234	3,557

the index again advanced during the past six months, gains being registered by eighteen of the twenty-four companies. Prices at the end of the year, however, were considerably below the peak levels reached in October, substantial falls having occurred in anticipation of, and following, the Beveridge Report. This is particularly the case with the shares of offices interested primarily in industrial life assurance.

Company Notes

Setback for BAT

Although prepared for some decline in profits, the market had not fully discounted the extent of the setback in net receipts of British American Tobacco for the year to September 30th or more than £1,000,000 to £3,065,348. The fall is, of course, fully accounted for by the loss of interests in the Far East and by the loss of income from the American subsidiary, temporarily pledged to the Reconstruction Finance Corporation. After meeting preference charges, there is £2,375,775 against £3,464,674, representing a tax free rate of 10.4 against 14.7 per cent, available for the equity. With a final payment of 4d. per share, free of tax, ordinary capital receives a total tax free payment of 10 against 14.59 per cent, and the small surplus goes to raise the carry forward from £2,338,157 to £2,442,729. At the same time, an interim payment of 10d., tax free, is announced for the first six months of 1942-43, the same rate as that paid in the previous year in two quarterly instalments. Thus there is some indication that the 1941-42 dividend level may be maintained in the current year and that the lowest ebb of wartime misfortune may have been touched. Certainly, the demand for tobacco has been well maintained here in the face of all previous rises in price, and it is probable that this elasticity will be shown elsewhere. The £1 ordinary stock fell 1s. 3d. to 98s. 9d. on

Good news!

Here's good news for those who already hold 500 National Savings Certificates of the seventh or earlier issues. They can continue to save the certificate way—for a new £1 issue of Savings Certificates is now available. The seventh issue is still on sale for those who do not yet hold up to the 500 limit.

★ ★ ★ ★ ★

Each one of these new £1 Certificates will be worth 23/- in ten years' time and the increase is free of income tax. They are available in denominations of 1, 5, 10 and 50 unit Certificates. Savings Stamps may be used in payment for them. The maximum holding of these new Certificates is 250, and after the first ninety days from the date of purchase they may be encashed at short notice.

NOW ON SALE

THE NEW £1 ISSUE OF NATIONAL SAVINGS CERTIFICATES

At all Banks, Post Offices, War Savings Centres
and through Savings Groups

Issued by the National Savings Committee

MIDLAND BANK LIMITED

Chairman :
THE RIGHT HON. R. McKENNA

Deputy Chairman :
S. CHRISTOPHERSON

Chief General Manager :
HERBERT A. ASTBURY

STATEMENT OF ACCOUNTS

December 31, 1942

LIABILITIES		£
Capital paid up	...	15,158,621
Reserve Fund	...	12,910,609
Current, Deposit and other Accounts	...	760,094,994
Acceptances and Confirmed Credits	...	2,905,299
Engagements	...	10,299,682

ASSETS		£
Coin, Notes and Balances with Bank of England	...	80,592,217
Balances with, and Cheques on other Banks	...	33,251,334
Money at Call & Short Notice	...	25,758,153
Bills Discounted (Treasury Bills £32,815,922)	...	34,696,054
Treasury Deposit Receipts	...	201,000,000
Investments	...	235,221,988
Advances & other Accounts	...	159,436,077
Liabilities of Customers for Acceptances, etc.	...	13,205,181
Bank Premises	...	8,844,446
Shares in Yorkshire Penny Bank Ltd.	...	937,500
Shares in Affiliations:		
Belfast Banking Co. Ltd.		
The Clydesdale Bank Ltd.		
North of Scotland Bank Ltd.	...	8,426,455
Midland Bank Executor and Trustee Co. Ltd.	...	

Head Office :
POULTRY, LONDON, E.C.2

the preliminary statement at which it yields £2 os. 8d. per cent, tax free.

Amalgamated Cotton Mills Activity

The accounts of the Amalgamated Cotton Mills Trust for the year ended August 29th last reveal that total income from subsidiaries and other sources amounted to £275,734. Since this figure is computed after an undisclosed provision for deferred repairs, it is not fully comparable with the figure of £294,794 received in the previous year. The parent's contribution to the tax liability of the group is almost £60,000 less at £162,441. Total tax is £432,395 against £458,334, but the chairman, Mr A. C. Openshaw, states that the figures shown are estimates, no agreement having yet been reached with the authorities. War damage premiums require a negligible amount compared with £7,413 last year, and after meeting debenture interest and preference dividends, earnings for the equity total £52,322 against only £10,739. Thus, the tax-free ordinary dividend, maintained at 8.33 per cent, and under-earned in the previous year by some 3 per cent, is now covered by earnings of 26.1 per cent. Hence, it is possible to place £30,000 against nil to war contingencies reserve and raise the carry forward £5,589 to £59,300. According to the chairman's statement, the company's mills have operated as fully as possible with the restricted labour supply and at present are extremely busy. Restrictions on exports and supplies to the home market mean, however, that the most remunerative part of the group's business is curtailed, a fact which must inevitably affect results in the current year. The expansion of the group's activity is reflected in a sharp increase in liquid assets—from £1,403,196 to £1,741,606—while the net surplus is up from almost £800,000 to £1,189,581, but a small credit balance on inter-company account has been changed to a debit balance of £374,796. Cash, with the inclusion of £200,000 tax reserve certificates, shows the largest individual increase of some £340,000, but outside debtors are almost halved at £145,022. Stock, however, is valued at £990,079, an increase of almost £120,000, due largely to purchases of raw cotton. The group has been fairly fortunate under the concentration scheme, and, provided labour restrictions permit fair activity of the reduced plant allocated, there is no reason why the ordinary shareholder should not continue to receive a reasonable return on his capital. The 1s. shares standing at 3s. ex dividend yield £2 15s. 7d. free of tax.

Fairey Aviation Accounts

No aircraft manufacturing accounts so far produced have illustrated as well as does the report of Fairey Aviation the extent and the strain of current expansion. In the year to September 30, 1942, disclosed profits, after tax and depreciation, are relatively little changed at £180,036 against £175,773. Thus, equity earnings show a small improvement from a tax-free rate of 17.0 to 17.4 per cent, and the tax-free dividend of 8 per cent is repeated with not quite £100,000 to spare. Since general reserve again receives £100,000, there is a further small reduction in the carry forward from £42,296 to £39,487. The analysis of profits shows nothing exceptional, but the balance sheet considerably amplifies the story. Fixed assets, apart from the writing off of jigs and dies to the total of £24,658, are little changed, but there is a jump of some £580,000 in stocks and work in progress to £2,080,735, while debtors, less reserve, are nearly doubled at £1,391,245. There is also an increase in net loans to subsidiaries from £769,639 to £998,171. The jump in stocks and debtors is financed chiefly by a new secured bank loan of £1,041,541 after deducting cash, which in the previous year amounted to £74,036. Government securities amounting to £105,000 have been liquidated. Creditors, including tax provision,

ROBSON, MORROW & UNDERWOOD are seeking two outstanding men, a Chartered Accountant and an Engineer with a University degree; both with wide commercial experience, who could be trained as INDUSTRIAL CONSULTANTS for work of National Importance; four figure salary and exceptional post-war prospects. Full particulars to ROBSON, MORROW & UNDERWOOD, INDUSTRIAL CONSULTANTS, Victoria Station House, Victoria Street, London, S.W.1.

have only risen from £1,578,530 to £1,699,920. Nevertheless there is a substantial fall in net liquid assets from £725,748 to £648,299. The bank loan will prove self-liquidating, provided the authorities take over any stock and work in progress, and any anxiety which may attach to the present position derives from uncertainty as to the post-war relevance of the actual plant and equipment which the concern may own at the end of hostilities. On this score, the relative stability of the fixed assets is reassuring. The 10s. ordinary shares, at 17s. 6d. ex dividend, yield £4 11s. 5d. per cent tax free.

Plastics Record Profits

In the year to June 30th last, gross profits of British Industrial Plastics rose from £169,124 to the new record level of £295,798. It is plain from the preliminary statement that this rise, unlike the very modest increase of the previous year, has been sufficient to offset higher tax liability and rising production costs. Taxation requires £155,500 against £71,200 and the transfer for depreciation is substantially increased, at £27,341 against £11,755. Despite this, there is an increase in equity earnings from £13,477 to £17,570, so far as ascertainable and the rate of earnings is up from 6.3 to 8.2 per cent. The ordinary payment is restored from 6 to 8 per cent and there is a small increase in the carry forward from £6,288 to £6,698. The consolidated profit statement shows a rise in gross receipts from £114,913 to £223,213, these figures being after general and some special expenses in both cases. The accelerated growth of profit will no doubt encourage those sections of the market which have recently shown a renewed interest in the potentialities of plastics. The industry is acquiring improved techniques during the war and should play an important part in reconstruction. It is, however, very difficult to assess the prospects of any individual firm, especially as large groups are entering the business. One of the latest of these is Wall Paper Manufacturers who have taken over an old established firm. In so far as plastics will be used extensively for decoration, the two businesses will be complementary. The 2s. ordinary shares of British Industrial Plastics, at 5s., yield £3 5s. 1d. per cent, a level which emphasises the expectations of the investor from post-war expansion.

Radio Rentals Record Profits

In the year to August 31st last, Radio Rentals earned record total profits of £187,921, against £159,609. Taxation required £61,500, against £52,605, and the total of depreciation and sums written off radio sets rose from £93,750 to £109,964. There is, however, a reduction in war damage contribution from £3,414 to £1,690, since the Board of Trade has agreed to exempt a large number of sets from compulsory insurance. Thus, a high proportion of the rise in profits is passed on to equity earnings which are almost doubled at £10,650 against £5,723, representing 21.3 against 11.4 per cent. In the absence of any transfer to free reserves the carry forward is raised from £26,653 to £32,303, after repeating the 10 per cent dividend. The most important development of the year, the acquisition of the Rentertainment (London) interests, is shown in the balance-sheet as investment in a subsidiary at £36,665 against nil. A dividend, paid out of profits prior to the date of the acquisition, has been deducted from this valuation. The chairman, Mr H. F. Hunt, suggests that it is to the rationalisation made possible by the merging of the two interests that the rise in gross profits is mainly due. It is unlikely that the increase in the number of subscribers has been considerable. Mr Hunt points out that demand has kept pace with the increase in the number of sets available, but that the acquisition of new sets has been very limited. The balance-sheet decline in debtors and rise in creditors are due, respectively, to prompter payment of subscriptions, and to an increase in the number of payments ahead of schedule, for which the rise in spendable incomes is responsible. The total of initial payments and tax provision is £141,920, which Mr Hunt considers adequate to meet the outstanding EPT liability, pending clarification of the group's obligation. The total valuation of radio sets, the company's most important asset, is some £20,000 lower at £197,548. In the current period, the first full year since the acquisition of the subsidiary, there should be still further scope for economies in distribution. The 5s. ordinary shares, at 10s. 6d. ex dividend, yield £4 15s. 8d. per cent.

Industry and Trade

National Coal Board

The draft scheme for the establishment of a National Wages Board which was submitted to a delegate conference of the Mineworkers' Federation on Friday is, it is understood, the joint production of the Joint Consultative Committee of the industry and the Greene Board of Investigation. In its White Paper on Coal Policy last June the Government expressed the view that it was desirable that a system should be developed by which questions of wages and conditions of employment would be dealt with on a national basis and by a properly constituted national body; and one of its terms of reference to the Board of Investigation was to inquire into the present machinery and methods and to submit recommendations for the establishment of a procedure and permanent machinery for dealing with questions of wages and conditions of employment in the industry. During the discussions which have been in progress since last June, it has been the aim of the Consultative Committee to create a national body which would continue to be based on the principles of collective bargaining and aim at finality in the settlement of disputes by methods of conciliation. Consultations have been held with the Board of Investigation on questions affecting organisation and procedure, and it is understood that in the form in which the scheme was submitted to the miners' delegates it had been accepted by the owners' and miners' leaders and approved by the Board of Investigation. The full details of the agreement are not yet available for publication; but it may be indicated generally that it involves the establishment of a National Conciliation Board, consisting of a Joint National Negotiating Committee of 22 members on which the owners and the workmen are equally represented, and a National Reference Tribunal of 3 members nominated (after consultation with the employers' and workmen's associations) and appointed by the Master of the Rolls or a Lord Justice of Appeal whose decisions shall be binding on both sides. The jurisdiction of the Board will extend to any question raised by either side or referred to it by the Minister of Fuel and Power, and

while the continuance of the existing district conciliation machinery is a fundamental condition of the scheme, provisions of vital importance are those which govern the transfer of district questions to the National Board, and, when necessary, to the Independent Tribunal. It is also a part of the proposed new regime that its decisions shall be binding on non-associated employers as well as on all the workmen for whom the Mineworkers' Federation may be acting.

Rail Strike Threat

At the special delegate conference of the Associated Society of Locomotive Engineers and Firemen last Friday, it was decided to inform the Minister of Labour of the existence of a state of dispute in the industry, in accordance with the Conditions of Employment and National Arbitration Order, and that unless the Minister intervened within 21 days—the period prescribed in the Order—a withdrawal of labour within 24 hours would take place. This decision at any rate gives a breathing space—it is said that a proposal for immediate strike action received considerable support among the delegates—but it places Mr Bevin in an awkward position. According to the Order, if the Minister considers that suitable collective joint machinery for settling disputes exists within an industry, he must refer the dispute to that machinery; only if the joint machinery has failed to produce a settlement can the dispute be referred to the National Arbitration Tribunal, whose award is legally binding. The award of the Railway Tribunal is not binding, but explicit assurances that they would accept it had been given beforehand by the three unions who were parties to the decision. The Tribunal had awarded wage increases to conciliation grades and salaried staffs of five shillings a week, but as enginemens had already received an increase of four shillings this year, the award in their case only amounted to one shilling. Both the National Union of Railwaymen and the Railway Clerks

Glyn, Mills & Co.

(ESTABLISHED 1753)
Registered with unlimited liability 1885
Incorporating

CHILD & CO.
(Established before 1600)

and

HOLT & CO.
(Established 1808)

BANKERS

Army and Air Force Agents.

One Hundred and Seventeenth Statement of Assets and Liabilities, 31st December, 1942.

Dr.	LIABILITIES.	£	s.	d.	By	ASSETS	£	s.	d.
To Capital authorised and issued	1,080,000	0	0		By Coin, Bank Notes and Balance at Bank of England	6,417,214	13	9	
To Reserve Fund	850,000	0	0		By Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	2,385,328	6	4	
To Current, Deposit and other Accounts (including provision for Contingencies)	59,913,389	4	0		By Money at Call and at Short Notice	11,299,200	0	0	
To Amounts due to Subsidiary Companies	24,618	4	3		By Bills Discounted	2,082,887	13	8	
To Acceptances and Engagements on account of Customers	4,798,968	19	9		By Treasury Deposit Receipts	8,000,000	0	0	
	866,646,976	8	0		By Investments:				
					British Government Securities	820,004,229	13	1	
					Other Securities	584,448	19	1	
					Subsidiary Companies	20,568,689	12	2	
					By Advances to Customers and other Accounts	16,442,767	2	4	
					By Liabilities of Customers for Acceptances and Engagements as per contra	4,798,968	19	9	
					By Bank Premises (at cost, less amounts written off):				
					Freehold	820,000	0	0	
					Leasehold	75,000	0	0	
						895,000	0	0	
						866,646,976	8	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 & CO., } Chartered Accountants.
JACKSON PILEY & CO., }

14th January, 1943.

H. A. LAWRENCE, Chairman.
ERIO GORE BROWNE, } Directors.
IAN LESLIE MELVILLE, }

14th January, 1943.
QUINTIN BROWN, Accountant.

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

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

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

Association had accepted the award, though neither regarded it as satisfactory, and both are opposed to the action of the ASLEF in precipitating a crisis. It is certain that a strike by the locomen at the present stage of the war would meet with little sympathy from their fellow railway workers and from the great body of trade unionists, and with none from the general public. Even if there is reason for them to be dissatisfied with the Tribunal's award, their threat to strike unless the Minister of Labour acts seems uncomfortably like blackmail.

The Curfew

The city of Birmingham is up in arms against the decision of the Regional Transport Commissioner to introduce a curfew on bus services. The proposal, which was to have come into force this week, was to take off buses after 9.15 p.m. on week-nights and on Sunday mornings; but a deputation, consisting partly of Birmingham Members of Parliament and headed by the Lord Mayor, visited the Minister of Transport last Friday and secured the postponement of the order. They have been given a fortnight to work out, in conjunction with the Regional Commissioner, an alternative scheme which could be introduced if the Minister is satisfied that it would achieve the same object as the curfew, namely the saving of rubber and petrol. The arguments put forward by the opposition are, first, that there appears to be unfair discrimination against Birmingham; and, secondly, that it would prevent war workers and troops from seeking entertainment and relaxation in the city after their day's duty. There is no substance in the first point. Transport restrictions apply all over the country and they are determined in the light of local conditions—there is no attempt at standardisation. Leeds and Sheffield, which are as important industrial centres as Birmingham, both have 9 o'clock curfews. The root of the trouble probably is that Birmingham, with its strong municipal traditions, resents any evidence of the exercise of regional authority. There seems to be more justification for the second argument. If transport services are to be curtailed, there is probably room for more restrictions during the daytime when the buses serve mainly shoppers and non-war workers. The really important thing is that the services for conveying workers to their places of work should not be in any way impaired. The Select Committee on National Expenditure, in their recent report on passenger transport facilities, emphasised the importance of maintaining and improving the services for war workers. In this connection, there is a point which the Board of Trade might look into. Complaints have been made from many industrial areas that owing to the shortage of lamp batteries, workers who would otherwise cycle to their work are obliged to travel by the already overloaded conveyances.

November Retail Trade

Probably very little Christmas shopping of the pre-war variety was done last November, to judge by the retail trade report published in the *Board of Trade Journal* of January 9th. The index for all non-food merchandise showing the average daily value of retail sales (1937 = 100) was

PERCENTAGE CHANGES IN AVERAGE DAILY VALUE OF RETAIL SALES FROM PRECEDING YEAR			
	Food and Perishables	Non-Food Merchandise	Total
Feb.-Nov., 1940.....	+2.6	+6.7	+4.4
" 1941.....	-1.5	-6.8	-3.7
" 1942.....	+4.2	+1.8	+3.2

99 in November, a fall of 13 from the previous month. The December figures may throw interesting light on how far the gift-giving custom has survived for the fourth Christmas of war. The household goods index figure fell substantially—a reflection mainly of the now low stocks of these goods. Household linens, in particular, are in very short supply. Compared with November, 1941, the value of sales in all departments was 4.1 per cent higher. The value (at cost) of stocks at the end of November was 1.4 per cent higher than the year before, the smallest change recorded for five months. Untaxed utility apparel is appearing in the shops in increasing quantities, and for the first time since March, 1941, the index for boots and shoes

stocks rose slightly. The accompanying table, showing the percentage changes in the daily value of retail sales from the preceding year, gives some idea of the changes in turnover during the war. The smallness of the changes is interesting.

More Rationing Changes

From February 7th, the beginning of the next four-weekly food rationing period, a child reaching the age of five is entitled to an adult ration book, without the need to wait for the next general issue of ration documents, though the option of waiting is given. The advantage the adult ration book gives is a doubled meat ration and tea ration. On the other hand, a child's ration book entitles the holder to special allowances of fruit juices and cod liver oil. Certain changes are being made from February 7th in some of these special children's schemes. A pint of milk daily will be available automatically at the reduced price of 2d. a pint. Previously delivery at the reduced price had to be applied for, but since nearly all children are included in the scheme, it has been made general to simplify the administration. The double ration of dried eggs is maintained, as well as the priority rights to oranges. Cod liver oil and fruit juices, mainly orange, blackcurrant and rose-hip syrup, are available to the under-fives. More publicity has been given to their existence since the recent announcement that only 25 per cent of children were getting them. The Ministry of Food has made it easier for busy mothers to get the fruit juices, and it is likely that more children are enjoying them. In case of need, milk and fruit juices may be obtained free. The welcome news that tinned fruit will be on sale from February 7th was announced at the end of last week. There will be English plums, blackberries, gooseberries and rhubarb, and American peaches, apricots, pears, grape fruit and pineapple. The points values are low at six a pound, suggesting that supplies are plentiful. The prices range from 8½d. a lb. for plums and rhubarb to 1s. a lb. for apricots and peaches. The cheese ration will be reduced again from February 7th to 4 ozs. a week, probably for three months. The second egg allocation of this year is to begin at the end of the month.

Bread Production

Bread is an urgent food problem. The Minister of Food has consolidated all the Orders, directions and general licences concerning bread into the Bread (Control and Maximum Prices) Order. It came into force on January 17th, and makes certain changes in the original Orders. The most important of these is the provision requiring bakers to keep the following records: stocks of flour at the end of each week; the quantity of flour bought and sold during each week; the quantity of bread produced, and the amount of flour used; and the name and address of every person to whom bread is supplied otherwise than by retail. This is a necessary step for purposes of rationing bread. National wheatmeal bread will in future be known as national bread. Not more than 12½ per cent of the flour used may be white flour; potato and barm have been added to the list of permitted ingredients. The restriction on shapes and sizes of loaves is slightly modified, and caterers no longer need a licence to make bread for consumption on their own premises.

Rates of Hire for Ships

By agreement between shipowners and the Ministry of War Transport, rates of hire for requisitioned liner shipping have been increased, retrospectively, by an average of about 20 per cent. Increases vary accordingly to the different classes of liners (from coasters to passenger ships) between 10 and 30 per cent, and are designed to offset increases in operating costs, due mainly to higher wages, borne by the owners. The new rates take effect at different dates from January 1 to May 1, 1942, but for the majority the extra payment applies from April 1st. Liner requisition rates are made up of a running allowance of so much per ton to cover operating costs and a capital allowance of 10 per cent on the original cost of each ship, to cover interest and depreciation. The normal basis of depreciation of ships is 5 per cent per annum, so that vessels 20 years old or more,

whose first cost has theoretically been written off in the books, could not be expected to qualify for the full capital allowance. This was recognised in the original requisition agreements made in 1940, by taking the war risk insurance value as the capital value of ships built in 1921 or earlier, where this sum was smaller than the first cost; the allowance was still at the rate of 10 per cent. Under the new agreement, the principle of this provision is extended to cover ageing ships by applying the formula to each vessel as it reaches 20 years of age. Increases in the requisition rates of tramp ships are understood to be in process of negotiation. Their remuneration is on a slightly different basis from that of the liners. The capital allowance is worked out on average values and included in the allowance for operating costs at deadweight rate per ton. By comparison with pre-war profits, on the average, requisition has meant higher earnings for liners and reduced earnings for tramps; but the earnings of both main classes may generally be expected to decline as ships are lost and tend to be replaced by Government securities rather than new tonnage. Shipowners have been studying post-war problems, and a statement from its central planning body on general policy and commercial aviation is to be issued in the near future.

Decline in Business Failures

An interesting phenomenon of the war has been the marked decline in business and professional failures. A ten-year record of failures is given below, on the basis of statistics published by Messrs Seyd and Co., Limited:—

	NUMBER OF FAILURES (including Eire)		
	Professional	Wholesale	Retail
1933.....	515	645	6,223
1934.....	515	528	5,388
1935.....	479	518	5,041
1936.....	455	417	4,775
1937.....	449	438	4,692
1938.....	508	441	4,601
1939.....	503	316	3,869
1940.....	331	170	2,471
1941.....	205	70	748
1942.....	149	36	363

The sharp decline cannot be traced to any single cause. During periods of rising prices, it is generally easier for debtors to meet financial claims arising out of past transactions. In many cases, where businesses had to be suspended for the duration, the settlement of claims may have been held over until after the war. It would be interesting to know to what extent the operation of the Liabilities (War-time Adjustment) Act was responsible for the decline, for its specific object is to prevent war-time difficulties from giving rise to bankruptcies.

Oil and Plastics

Some of the more highly-coloured visions of the coming plastics age need not be taken too seriously. But there can be no doubt that the use of these materials will expand, probably at a fairly rapid rate. Before the war the combined output of Great Britain and the United States was estimated at only about 135,000 tons a year, equivalent, in weight, to one-hundredth of Britain's crude steel capacity. As Dr G. Tugendhat, a director of the Manchester Oil Refinery, Ltd., pointed out during an address to members of the Institute of Plastics in London on January 13th, the oil industry is capable of supplying large quantities of most of the starting materials for the plastics industry. But the oil refining industry of Great Britain is very small; the bulk of requirements are imported not in the crude, but in the refined stage. In view of the growing importance of oil as a basis for the production of chemicals, Dr Tugendhat suggested that it would be in the national interest to import a greater proportion of oil imports in the form of crude oil and to enlarge the refining capacity with a view to securing a foothold in the new chemical industry. In his view, the argument that the construction and operation of refining plant in this country is more expensive than, say, in the United States is no longer valid. While a large-scale change-over from the import of finished oil products to crude oil is hardly feasible before the end of the war, Dr Tugendhat's suggestion seems to deserve serious consideration, especially as the technical experience gained

in the treatment of oil might assist in the development of the chemical industry based on coal.

Hard Fibres

According to an announcement by the Sisal Growers' Association, the Ministry of Supply has agreed to increase its 1943 buying prices for East African sisal by a uniform rate of £4 per ton. The increase amounts to just under 50 per cent in the lowest grade (flume tow waste, now quoted at £12 8s. 6d. per ton) and to just under 20 per cent in the highest grade (No. 1 now quoted at £23 10s. per ton). The price continues to be "free in wagon or other conveyance at East African berth ports," so that sellers remain unaffected by the high sea freight and sea war risk charges. The increase in price appears to have been justified by higher costs of production, and does not, therefore, represent a change in the British Government's commodity bulk-buying policy. The growing Allied need for sisal and other hard-hemp fibres as a result of the losses of Pacific supplies was discussed in *The Economist* of August 1, 1942, page 153. Since then the East African Governments have substantially increased the labour force of the sisal plantations in their territories by making use of compulsory powers. Mexico is reporting increased activity in its Henequen-growing districts. The most important development has been the decision of the United States Government to plant 300,000 acres of farmland in Kentucky, Indiana, Illinois, Wisconsin, Minnesota and Iowa with hemp for fibre and another 50,000 acres in Kentucky with hemp for seed production. The plan, which is jointly carried out by the War Production Board and the Department of Agriculture, is well under way, and the first rope will be available early next year. As the United States has not so far produced hemp on a large scale, the above acreage figure represents a twenty-fold increase on 1942. The acreage for the production of hemp seed, on the other hand, is only one-third larger than in 1942, as last year seed had been raised in the United States on a larger scale to secure the seed requirements for the production programme now initiated.

Coal Output

PERCENTAGES OF DISTRICT TARGETS REACHED*

During Four Weeks Ended					
	Nov. 28th %	Dec. 26th %		Nov. 28th %	Dec. 26th %
Northumberland	102.0	101.0	S. Staffordshire &		
Cumberland	91.3	96.3	Worcestershire	96.2	98.5
Durham	101.1	101.6	Warwickshire	99.3	99.7
South Yorkshire	98.5	99.3	S. Wales and		
West Yorkshire	96.9	96.2	Monmouthshire	98.2	99.9
North Derbyshire	100.8	101.2	Forest of Dean	100.2	99.3
Nottinghamshire	100.6	103.2	Bristol	92.3	90.4
South Derbyshire	104.2	106.2	Somerset	107.0	107.2
Leicestershire	104.5	105.1	Fife and Clackmannan	100.3	103.3
Lancashire and Cheshire	101.1	102.4	Lothians	96.6	103.2
North Wales	+	97.6	Lanarkshire	94.9	98.6
North Staffordshire	101.3	102.8	Ayrshire	98.2	98.1
Cannock Chase	97.2	97.9	Kent	98.7	99.3
Shropshire	102.2	104.0			

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control. † Still under review.

BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service through its branches in

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

Head Office:

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

Agencies in: New York, Bradford, Manchester

COMPANY MEETINGS

MIDLAND BANK LIMITED

BANKS' SERVICES TO CUSTOMERS

THE COUPON SCHEME

DEPOSIT FIGURES A NEW RECORD

THE RT. HON. R. McKENNA'S STATEMENT

Inasmuch as the chairman does not propose to deliver a speech at the annual meeting of the Midland Bank, Limited, on January 28th, the following statement has been circulated to shareholders:—

It is fitting that in any review of the bank's affairs we should first recall with deep respect the lasting memory of those who in their country's cause have made the greatest sacrifice of all. With the extension of military operations heavier casualties have become inevitable—in all 123 of our men have died in the war, 21 are missing, and 73 are known to be prisoners. We honour these gallant men, and to the families afflicted by bereavement we offer our very sincere sympathy.

In the past year several more decorations have been won, and we are proud to know that our men and women in the Forces display the qualities of courage, resolution and adaptability that modern war demands.

A welcome addition to the strength of the board of directors has been made by the appointment of Sir George Barstow, who has an outstanding record in the world of insurance. On the other hand, we greatly regret that Sir George Mitchell has felt compelled by considerations of health to resign. Happily the Clydesdale Bank still retains his services as a director, and we trust his health may be fully restored. His place on our board is taken by Mr Robert L. Angus, in whom we shall find another worthy representative of the Clydesdale Bank.

RETIREMENT OF MR ASTBURY

I have to announce an important change in our general management. Mr Astbury, who has loyally deferred his retirement in the special circumstances of war, feels that he may now be relieved of the heavy burden of his office as chief general manager. His career in the bank has been one of great distinction, extending over 51 years. Before joining, at the age of 21, he had business experience in Birmingham, and passing through the earlier stages of promotion he rose to management of important branches and then, by way of a series of head office appointments, to the highest executive position, where he has indeed made a noteworthy contribution. We greatly regret the severance of a valued association in the daily conduct of the bank's affairs, but happily we shall continue to enjoy the advantage of his collaboration with us as a director.

Mr Astbury's retirement takes effect at the end of January, when Mr Sadd and Mr Lederer will become chief general managers. Both have had valuable experience in branch management and have served with conspicuous success in increasingly responsible executive positions. Each has shown exceptional capacity, and we are confident that in their co-operation at the head of the executive they will enhance still further the high reputation they have already earned. We have appointed a new joint general manager, Mr Woods, whose career has marked him out for the wider responsibilities of this position. He has already held with distinction appointments at head office and in the country, and passes now from very successful management of the branch at New Street, Birmingham, which was formerly the head office of the bank.

THE KENNET REPORT

A year ago it was evident that we had to face the prospect of additional calls upon us for recruitment to the Forces. The Kennet Committee appointed to inquire into the possibility of further reduction in bank staffs has recognised that the banks have not been slow to adjust themselves to the higher demands of the fighting services. From this bank alone over 7,000 have joined the Forces, and of these nearly 6,000 were on the permanent staff. The loss in personnel has not been fully made up; before the war the total staff numbered about 14,000, whereas the comparable figure to-day is 12,300. A further reduction, making in all 15 per cent. from the pre-war total, is to be brought about in the near future.

Subject to the maintenance of essential services we are examining every possibility of saving labour; but the substitution of new entrants for established workers must mean some loss of efficiency, with the inevitable result of increasing the burden falling upon the more responsible officials. The willingness and skill with which they have carried on their duties under conditions of exceptional difficulty are gladly acknowledged. The loyalty of the staff as a whole, men and women alike, has been conspicuous, and the cordial working relations between their representatives in the staff association and the management of the bank are of great value in the smooth running of its daily work.

THE BANKS AS A LABOUR-SAVING DEVICE

It is not always recognised that the banks are in essence a labour-saving device, with the added advantage of guaranteeing security. The old notion that they existed to provide a luxury service for the rich man should have been buried long ago. A recent striking example of labour saving is provided by the new service undertaken by the banks under the clothes rationing scheme. Beyond the retail stage, all transfers of coupons and documents representing coupons are made through the banks; we ourselves have about 17,000 traders' coupon accounts and deal with 15 to 20 million coupons a week, apart from the transfer vouchers to which they give rise. The coupons themselves, once they have been counted by the retailer, paid into the bank and credited to his "coupon account," have served their purpose, and from that point all the retailer or the wholesaler need do is to draw "cheques" on his coupon account as he may require to replenish stocks. The banks undertake the necessary book-keeping entries and ensure that traders do not exceed what may be called their "coupon purchasing-power."

Compare the simplicity of this procedure with what would be involved if no such arrangement were in operation. After the retailer had counted the coupons handed over by customers he would have to take care of them on his own premises; he would then have to count out numbers appropriate to his demands upon various suppliers, and dispatch them with due precautions against loss in transit. The wholesaler would similarly have to count out the coupons he received, provide for safe custody, and again count out odd thousands and hundreds and tens and ones according

to his requirements from other wholesalers or manufacturers. So the process of counting and recounting millions of coupons, storing and dispatching them would go on, in continuous repetition of mechanical drudgery. The entire business, except at the unavoidable first stage, is reduced to a task involving a small fraction of the cost in terms of man-hours through the simple device of a "coupon banking" system.

ESSENTIAL SERVICE OF THE BANKS

The device, however new in this form, is really the same as that used in conducting the money side of the nation's business. Substitute currency notes and coin for coupons and the analogy is complete, though the volume is on a vastly larger scale. The great bulk of the counting and recounting of odd amounts of paper currency and coin is dispensed with, and all risk to the owner in storing and dispatching currency is avoided. An enormous volume of work spread over millions of customers and covering an annual turnover of tens of thousands of millions of pounds is rendered unnecessary by the banking machinery and the use of cheques. At a time when manpower is the most vital of all requirements this economy of mass operation becomes of first-rate importance in the national effort. The banks are rightly regarded as performing an essential service, indispensable in carrying on the nation's business in war as in peace.

The economics to be achieved through the banking system have been extended in course of time over a constantly widening range of transactions. Many public authorities find it convenient to pay salaries by the simple process of instructing their banks to credit the banking accounts of their employees with the sums due. There has been increasing resort by public authorities and companies to the method of crediting interest or dividends to the accounts of holders of their stocks and shares, instead of sending out individual warrants. Traders give periodical instructions to their banks to pay stated amounts to their suppliers; customers give "standing orders" to make regular personal payments, and so relieve themselves of the trouble of recording the dates and other details and making the necessary remittances. The banks are indeed a most effective labour-saving device, but they can operate successfully only under the condition that they have the highly experienced staff required for working with speed and complete accuracy.

THE BANK'S FIGURES

Turning to the balance-sheet, deposits are shown at £759 millions, which by a rise of £73 millions on the year makes a new record in British banking. The rate of growth, however, is less than in the previous war years. As before, almost the whole increase is in current accounts, the counterpart of the continuous expansion of the turnover of the nation's business. The great volume of deposits has been built up on the broader cash basis provided for the banks by the monetary authorities as a part of official policy in financing war expenditure. The banks are now, as throughout the war, in an extremely liquid condition—indeed, our own balance-sheet shows an aggregate of cash, balances with other banks, short money, bills and Treasury deposit receipts which covers nearly one-half of the deposits, as against the minimum of about one-third observed as ample before the war. Although this position adversely affects our earnings, it provides a safeguard against any later decline in the total of bank deposits and strengthens us to meet whatever circumstances may arise when the war is over.

Our traditional money market business has again diminished with the change-over to war finance. This is clear from the continued low level of short loans and bills. The bill holding is below the pre-war figure, for, although the Government still

borrow heavily on Treasury bills, most of them are placed outside the clearing banks. On the other hand, almost the whole of our reduced bill holding now consists of Treasury bills, whereas before the war commercial paper made up a large part of the portfolio. In borrowing from the banks the Government has come to rely more and more on the convenient method of Treasury deposits. These have again expanded largely in amount, and are now the second biggest item among the banks' assets.

INVESTMENTS AND ADVANCES

First place, in order of magnitude, had already been taken a year and a half ago by investments, whereas formerly advances were pre-eminent in amount as in earning-power. While our investments have risen further on the year, being now double the pre-war figure, advances have again declined, though less rapidly than before. For all the banks together, less than one-quarter of the deposits is now employed in advances, as against the half which used to be regarded as the upper limit. Much as we may regret the diminution in this outlet for our resources, it puts us in a favourable position with regard to post-war prospects, as it suggests that we shall be able to finance the orderly re-expansion of non-Government business without any such strain on our resources as might lead to heavy sales of investments. In the period of transition a vast demand will arise from the public for goods of all kinds, while measures of reconstruction will make heavy calls upon the productive capacity of industry. Skillfully devised means of regulation will be needed, which in the present strong position of the banks will ensure that as restrictions are gradually lifted the increased demands upon them for accommodation can be met without inflation.

WESTMINSTER BANK LIMITED

VALUE OF PRESENT BANKING SYSTEM

SOME OBJECTIONS TO NATIONALIZATION

FLEXIBILITY v. RIGIDITY

THE HON. RUPERT E. BECKETT'S REPLY TO CRITICS

The annual ordinary general meeting of the Westminster Bank, Limited, will be held, on the 27th instant, at 41 Lothbury, London, E.C.

The following is the statement of the chairman, the Hon. Rupert E. Beckett, circulated with the report and accounts for the year ended December 31, 1942, which will be taken as read:—

The directors have decided to recommend to shareholders that the £1 fully-paid shares be converted into stock. This procedure is finding growing favour among public companies at the present time, as the elimination of definite share numbers effects a considerable saving of labour in the preparation, checking, and registration of transfer deeds and certificates. The change will also be welcomed by the Stock Exchange. It will not be necessary for shareholders to send their existing certificates to the bank for alteration, as when transfers of stock take place in the future the old share certificates will constitute a good delivery on the market. The stock will be transferable in amounts and multiples of £1, and the rights and privileges of shareholders are in no way affected by the change.

The bank is not at present empowered by its articles of association to convert its shares into stock, and as a first step it is necessary to alter the articles by special resolution at a general meeting, of which the statutory 21 days' notice is given with the report and balance-sheet. The extra-

BALANCE SHEET ITEMS

Referring again to the balance-sheet, the valuation of our premises is slightly lower, and happily we have little further damage to record from enemy action. Altogether, roughly one in five of our branches has been destroyed or suffered damage entailing more than a trifling cost of repair—just about the same proportion as that disclosed officially for the effect of the raids upon house-property in the country as a whole. Repairs, however, have been possible to such an extent that enemy action has accounted for only a small proportion of the total number of branches closed. Chiefly in order to release man-power, the number of our offices has been cut down by 340, or one-sixth, since the war began. In addition, the hours of business in many small offices have been curtailed. While this reduction in the facilities offered to the public has been justified in the circumstances of war, it may well be one factor among many in the enlargement of the amount of currency retained in the hands of the public.

The profit and loss account shows that, after allowing for income-tax and N.D.C., there is a net profit for the year of £1,997,000—a small increase on the amount for 1941. In comparing these figures with those for pre-war years it must be remembered that any expansion in our gross trading income resulting from the greater total of assets is heavily counter-balanced by increased expenses; on staff alone, for example, we spend over £6 millions a year. Further, we have suffered a severe loss of income from the curtailment of the volume of business in such services as foreign exchange operations, acceptances and guarantees, and stock exchange transactions on behalf of customers.

DIVIDEND MAINTAINED

In the disposal of the profit now recorded we propose that the final, like the interim, dividend shall be at the same rate as for

some years past, namely 16 per cent. per annum subject to tax. These distributions absorb £1,213,000. In view of the absence of any further serious war damage, we think it unnecessary to make an allocation on this account; but to add to the strength of our position in face of the manifold uncertainties of the future, we have applied £250,000 to reserve for future contingencies. The other appropriation is more noteworthy. For many years until 1931 the reserve fund, shown in the balance-sheet, stood at an amount equal to the paid-up capital; but, partly in view of the heavy depreciation of investments which took place in that year, we wrote roughly £2½ millions off the fund. We feel the time has now come for partial restoration, and for that purpose we have set aside £500,000 out of last year's profit. This leaves the balance carried forward on the profit and loss account somewhat higher on the year.

Our affiliated undertakings are able to present a record of continued good service to the public despite the difficulties which each, in its sphere, shares with our own bank.

THE OUTLOOK

On the last two occasions of our annual meeting the conditions have been dark and foreboding. Though national resolution never flagged, the goal seemed far distant along a hard and tortuous road. To-day the picture is in less sombre colours, for we see now in the events of the war many positive results of our labour and sacrifice in the period of defensive preparation. Although there is still much to do, the final victory seems nearer in prospect and more firmly assured. Thus we go forward in good heart, ready for all further calls that may be made upon us for sacrifice and effort. Fortified by the certainty of triumph, our task is now to bring it to fulfilment with no more suffering and delay than the magnitude of the struggle inescapably demands.

the most profitable outlet for our funds has again sensibly diminished.

The general result is that your bank shows now a liquidity of 49.7 per cent., comparing its resources with its liabilities. There is little further in the accounts that calls for explanation or even comment, but I would direct your attention to one new feature which affects our premises account.

PREMISES ACCOUNT

As this now stands at less than £5,000,000, it is not this year considered necessary to allocate a sum to reduce still further the capital value of our premises. It has, however, been decided to set up a fund for reinstatement and rebuilding and for deferred repairs which cannot be undertaken now, but which will be necessary after the cessation of hostilities. To this fund £200,000 has been allocated.

The accounts of the Ulster Bank, Limited, which also accompany this statement, exhibit the same trends as those shown in the accounts of our own bank. There is an increase in deposits and in investments in Government securities, accompanied by a diminution in the amount of the advances, while the profit brought in shows a small increase over the previous year. That is all I need mention as regards the accounts.

THE KENNET COMMITTEE

A banking feature of the past year was the setting up of the Kennet Committee to inquire into what practical measures could still be taken to secure the greatest possible release of man-power in banking and allied businesses. The committee has recorded its unanimous view "that in all the industries under review employers and employees alike have consistently demonstrated the greatest willingness to perform all that is required in the national emergency." I think shareholders should have this conclusion definitely brought to their notice. Although the banks have received this

EXPANSION OF DEPOSITS AND PROFIT

The accounts for the past year, which accompany this statement, show that the profit earned is £1,237,585, and exceeds that of 1941 by some £47,000. This result has been due to the expansion in our deposits, which at the date of the balance-sheet had risen by £31,000,000 during the year. This increase has been placed at the disposal of the Government by investment in Treasury bills, Treasury deposit receipts, and Government loans. The item advances to customers has again followed the trend of the war years, and has decreased by just over £7,000,000 on the year, which, as you are aware, means that

measure of commendation from this authoritative body, they have been made the target of much and varied criticism from different sources. In Parliament, in certain sections of the Press, in speeches of exalted Clerics, a spirit of criticism, even of resentment, of the banks is frequently manifested.

It is common knowledge that one section of political thought would welcome the disappearance of banks as independent institutions altogether and turn them into mere appanages of the State—this, I think, because supporters of this plan regard the banks as exemplifications of the capitalist system, in spite of the fact that the shareholders in the register of this bank number close upon 80,000, and other banks show doubtless much the same or even greater numbers. I have never learned what advantages are supposed to accrue from nationalisation of the banks, as it is called; therefore, I put it down to political prejudice incapable of coherent explanation. The left wing Press of course follows—or should I say leads—and inspired by these examples there are not a few who join in the hue and cry without expressed reason or logical conviction. I claim that the banks have justified their position; that during the past 100 years their records show that they have upheld and still uphold the best traditions of sanity in trading, and security for those whose funds have been placed in their hands.

IMPORTANCE OF "PERSONAL TOUCH"

Would State banking be easier, more accommodating, more efficient and cheaper than present-day banking? I cannot think so; it seems to me that centralisation of control under the State would accomplish none of these ends. The flexible banking of to-day would have to give place to rigidity. Normal banking regulations would be standardised and made more hard-and-fast to safeguard against all conceivable losses, since public funds and not those of private institutions would be at risk.

Government requirements would inevitably involve the furnishing of much more detailed information and the filling-up of more forms; the process would be far more cumbersome than at present and trade, both domestic and foreign, would suffer thereby. Prolonged delays in the sanctioning of facilities would be likely, and the "personal touch" would be lost entirely in the remote

control of Whitehall. There is nothing in such developments to suggest either a cheapening or improvement of existing banking facilities, and the public would lose the valuable option it now has of turning to a competitive institution if offered what it considered unattractive or unreasonable terms of business.

BANKING NOT A MONOPOLY

I turn now to answer those who urge that banking has become a monopoly, and for that reason advocate putting it under State control. If ever such a danger existed, I should have thought that it was effectually removed as long ago as in 1918, when further banking amalgamations were made subject to the approval of both the Treasury and the Board of Trade. The actual position to-day is that there are eight large banks, and a considerable number of smaller ones, directly competing with each other for business.

Furthermore, there are the Post Office and other savings banks, building societies, etc., whose activities also impinge in some degree upon those of the banks. Surely a monopoly can command its own terms of business, but I have yet to hear of any British bank, in the face of this considerable and widespread competition, able to act in such a dictatorial fashion.

UNFOUNDED CRITICISMS

In the inevitable switch of banking activity during the war from the direct support of trade and industry to that of the Government's wartime programme, critics have found excuses for yet other accusations against the banks. The banks, they say, are paid too highly for their services in connection with the newly created credit, whose basis is Government paper; it is said to be "costless credit" and it is claimed that banks should either not be remunerated at all for handling of it or that existing interest rates should be reduced. In fact, credit created by Government operations comes back to the banks in the form of new deposits.

The customers may place the amounts on deposit account, on which they will receive interest, or pay them into their current accounts. Whilst it is true that not all of these additional deposits attract interest, it should be borne in mind that

the depositors have available to them all the usual services—payment, collection, and clearing of cheques, provision of statements of accounts, the facility of loans and overdrafts, the holding of securities, encashment of coupons, etc.—the maintenance of which services naturally entails considerable expense to the banks. Thus on all their deposits the banks have to pay either in interest or in services, and the phenomenon of "costless credit" for them simply does not exist.

INTEREST RATES

The various Government securities held as assets by the banks earn interest ranging from 1 per cent. for short-term to 3 per cent. for long-term. The Government, and not the banks, is naturally the arbiter of the rates paid. Critics of these rates have recently been answered in Parliament by the Chancellor of the Exchequer, who maintained that, taking a comprehensive view of all the relevant factors, the war was being financed as cheaply as possible, and he therefore did not propose any radical revision of interest rates. The net profits of the banks are indeed appreciably lower than they were in pre-war years, notwithstanding the fact that they are handling a much greater volume of deposits; no charge of excessive wartime banking profits can be sustained.

Just recently a friendly letter in the Press suggested that the banks should issue a statement showing, *inter alia*, what "further changes they contemplate to meet the post-war situation." The banks have successfully carried on through the vicissitudes of more than a century by facing facts and dealing with them as they arose. It is as yet undisclosed what the economic conditions will be when peace returns. The wishful thinking that pervades many men's minds has resulted in forecasts and pronouncements of Utopian schemes, which leave me sympathetic but uneasy, because in my view sound banking precludes taking a plunge into the unknown and stating what bankers would or would not do in conditions as yet hidden from mankind. But of this I have no doubt: the banks can be relied upon to rise to any calls made upon them, and to face new conditions in a spirit of enterprise, progress, and helpfulness to the community.

had been notable and was an encouraging sign for the future.

If the health of the country was sound in a monetary sense, it was largely due to the wise conduct by the banks, over many years, of their own affairs and guidance on the business affairs of all Canadians. They could fairly claim that in Canada their bank system had more than justified its existence and, with irrefutable facts, answer those who talked of the State taking over the banks.

In the last war Canada had made considerable strides in productive industry. To-day they were witnessing an amazing expansion along those lines in the production of many weapons of war which their manufacturers had never contemplated undertaking but which they were now producing, staggeringly large in quantity and of a quality equal to any. In a word, Canada had risen in a single bound to the rank of a major industrial nation.

In conclusion, he said that this bank had opened its doors in 1817. They might take a legitimate pride in what had been accomplished and it would be their endeavour to live up to the record handed down to them by their forebears.

GENERAL MANAGER'S REMARKS

Mr G. W. Spinney (general manager) said that the net profit for the year amounted to \$3,283,000, compared with \$3,437,000 in the previous year. In spite of higher operating costs and lower yields on investments, the net earnings position had been relatively well maintained, but the effect of the increased Dominion Government taxation imposed under the last Federal Budget had been felt during only

part of the year under review. Their total assets amounted to \$1,175,319,000, as compared with \$1,046,551,000 at the end of the previous year. Quick assets aggregated \$896,935,000, or 81.65 per cent. of all liabilities to the public.

Notes of and deposits with the Bank of Canada amounted to \$110,704,000, representing approximately 12 per cent. of all deposit liabilities in Canadian dollars. Investments, not exceeding market value, carried at \$684,147,000, showed an increase in the year of \$185,223,000. At October 31st the average maturity of their bond portfolio, exclusive of Treasury bills and deposit certificates, was approximately 2½ years. Current loans and discounts at \$244,415,000 showed a contraction of \$59,290,000. Total deposits at \$1,064,645,000 showed an increase during the year of \$136,257,000.

In the light of the Dominion Government's heavy borrowing requirements, he felt that the amount of war financing through the Chartered Banks had so far been kept within reasonable and manageable proportions. The extent to which that type of borrowing could be kept in check would depend largely upon the success of the public distribution from time to time of Government loan flotations.

It had been a year of abundance throughout Canada, a total production of cereals surpassing all previous records. The Dominion Bureau of Statistics estimated the 1942 wheat crop at nearly 608 million bushels, which was by a considerable margin the largest which Canada had produced and almost double the 312 million bushels harvested in 1941.

The report was adopted.

LLOYDS BANK, LIMITED

ERRONEOUS IDEAS ABOUT BANK PROFITS

LOW INTEREST ON INVESTMENTS

PROVISION FOR DEPRECIATION AND E.P.T.

LORD WARDINGTON'S REVIEW

The annual general meeting of Lloyds Bank, Limited, will be held, on the 29th instant, at 71 Lombard Street, London, E.C.

The address of the chairman of the bank, the Rt. Hon. Lord Wardington, which would normally have been delivered at the annual general meeting was, as last year, posted to the members with the annual report and balance-sheet on January 21st in order to shorten the business of the meeting.

In his address, Lord Wardington stated:

My lords, ladies and gentlemen,

For general convenience in present circumstances I am adopting the same procedure as I did last year, and am circulating my address to the members in advance of the general meeting to be held on January 29th.

We have lost during the year our old and much-respected friend, the Earl of Selborne. He joined our board in June, 1919, and endeared himself to his colleagues, not only on account of his high principles, and by the charm of his courtesy and of his personal characteristics, but by the help and wisdom which he was always able to bring to our deliberations, owing to the experience and knowledge gained in a long life of devotion to public duties.

I have also to report the resignation of Mr J. H. L. Baldwin, who came to us on the amalgamation of the West Yorkshire Bank. We shall miss the great advantage we have enjoyed from his extensive knowledge of the textile industry in the West Riding, but we could not fail to recognise the difficulty in these days of his attendance in London. It was with great reluctance, therefore, that we felt it would not be fair to urge him to continue on our board.

Sir Eugene Ramsden, Bart., M.P., was elected to a seat on the West Yorkshire local board, and subsequently to the board of Lloyds Bank. Mr W. H. Fraser, chairman of the National Bank of Scotland, has been elected to our board in place of the late Mr R. K. Blair.

THE BALANCE SHEET

In the examination of our accounts you will find a continuation of the same tendencies which prevailed last year. Our deposits have reached further records by their increase of £65,000,000 during the twelve months, while our advances have decreased by £8,000,000. You will notice also an increase in our investments of £30,500,000, in our Treasury deposit receipts of £14,500,000, and in our Treasury bills of £14,000,000. Thus, after allowing for an increase of £7,500,000 in items in transit and cheques in course of collection, the whole of our fresh deposits have been loaned to the Government. This tendency for deposits to increase, which is always to be seen during a period of heavy borrowing by the Government, and particularly noticeable during a time of war, has given rise to more than usual discussion amongst those who believe that it is the result of action by the banks, and without cost to themselves, and that therefore the resultant investment in Government securities should not yield them any interest, or at best a nominal amount.

NATURE OF BANK CREDITS

The money which banks receive from their depositors must be employed in some direction or other, and what better method

can be suggested in the war conditions of to-day than by lending it to the Government? To try to draw distinctions between one deposit and another, and to suggest that one is money belonging to a depositor, and another is self-created by banks and ought therefore to be treated differently, and that, if invested, the bank should not receive the interest appropriate to that investment, is surely a fantastically erroneous idea.

All deposits are the property of the depositors, and all investments should, in fairness, pay the same return to their respective owners, whether they are banks or any other member of the public. The whole subject of the "creation of credit," which admittedly can be made to appear very confusing, has been admirably dealt with by Mr McKenna in the very lucid pamphlet, "What is Banking?" which he has recently published. I would recommend a study of it to those who find a difficulty in understanding the true nature of bank credits.

PROFITS

When we come to our profit we find another refutation of a belief not uncommonly held. It is perhaps not unnatural to conclude that, with such a large increase to our total resources, a corresponding increase to our profits would result. This, however, is not the case. Our net profit of £1,364,081 is an increase of £89,882 compared with 1941, but is less than it was in 1940, and still less than in 1939. As I have already pointed out, the whole of our additional deposits has been invested in Government securities, yielding on an average, after allowance has been made for 10 per cent. held in cash, only 1½ per cent.

On the other hand, there is additional interest to our customers on these extra deposits to be allowed for, and the reduction of advances lessens our interest earnings, while heavier payments to our staff, due to the grant-in-aid and to the more recent special bonus, and to the fact that many more members have been called up and are still having their pay made up to their former salary, with the added burden of the salaries of the new staff, account for a further increase in our expenses. When, in addition, allowance is made for increases in sundry other expenses and for diminution in other earnings, such as foreign exchange business, it is easy to see why our profit is no more than it is.

ALLOCATIONS

It may be of interest to members to see at a glance how our profit has been allocated. Out of every pound earned by the bank in 1942,

- 3s. 2d. went by way of interest to our current, deposit and savings bank customers,
- 8s. 9d. went to salaries, pensions and staff funds, leaving a balance of only
- 8s. 1d. to cover all other expenses, provision for bad debts, income tax, dividend and allocations.

£1 os. 0d.

DEFERRED REPAIRS AND UPKEEP

It only remains for me to add that out of our available balance of £1,892,705 we have placed £100,000 to our general con-

tingencies account and set aside £350,000 to a separate war contingencies fund. It is obvious that in the transition from war to peace the bank will be faced with a number of special non-recurring items of expenditure, for which it will be wise to make some provision. I need only instance, as an example, deferred repairs and upkeep of our premises.

There will be, undoubtedly, a somewhat heavy bill to meet in this connection as soon as wartime restrictions are removed. Other special expenses will occur, and we should like to feel that we had a reserve which will help us in meeting these without allowing the burden to fall too heavily upon our profit and loss account in any particular year. After making these two allocations, there remains a balance which enables us to recommend the payment of our usual dividend and carry forward the slightly reduced sum of £524,745.

COMPUTATION OF PROFITS

What I have said earlier gives a simple explanation why bank profits have not risen proportionately to the increase in deposits and to the consequent addition to assets. Incidentally, it throws some light on the question of liability to excess profits tax. It does not, however, satisfy those who take the published profits of the last few years, and, after adding back income tax, find that the gross figures do show a considerable increase over previous years. It is, perhaps, not unnatural that they should conclude that this is another instance of the "mystery" in which bankers are accused of wrapping up their industry. The explanation, however, is, though slightly complicated, perfectly intelligible.

GUIDING PRINCIPLES

Some years ago, in my address to members, I endeavoured in general terms to explain the principles which guided us in making up our annual profit and loss account. Perhaps it may be helpful at this juncture to repeat what I said on that occasion, and to preface my remarks with a quotation from a recent pronouncement of the Institute of Chartered Accountants. "The prescribed method of computing profits for taxation purposes disallows many important items which are necessary deductions in arriving at profits."

If this fact is understood it is easy to see how inevitable it is that the published figures may differ widely from those approved by the Inland Revenue authorities, and provide no clue to the question whether liability for excess profits tax has been incurred. The loss or gain arising either from the sale of investments, or the allocations to, or recoveries from, bad debts, come under the category of those sums which must be included in a statement required for the purpose of computing income tax, but they do not necessarily come into our published profits.

It is apparent, therefore, that if the standard year for excess profits tax was fortunate in these respects, no tax would be payable in an accounting period which had not enjoyed similar advantages, although there might be nothing in an examination of the published profits of these years to lead to such a conclusion. In our case the profits of the standard year for excess profits tax was not unfavourable, owing principally to the fact that larger profits than usual were made from the sale of investments.

DEPRECIATION OF INVESTMENTS

Again, it is obvious that if in any year a paper depreciation of our investments, as distinct from an actual realised loss, has been incurred, some provision must be made for it, either out of reserves or from profits, though for the purposes of taxation no such deduction from profits is allowed. If, therefore, full provision for such depreciation were debited to our profit and loss account for the year it would have to be written back for purposes of excess profits

tax and would be misleading when comparing such a year with others which do not call for similar provision.

There have been years in which the depreciation of our investments has called for the provision either from profits or reserves of an amount equal to 18.9 per cent. of our earnings, while in other years the actual sale of investments has yielded a surplus available, technically, to be brought into profit or added to reserve, equal to 16.7 per cent. of our earnings.

CONTINGENCIES

It is not always easy to decide whether any item in a particular year is likely to be of a recurring nature, and therefore to be reasonably included in our profit and loss, or whether, on the other hand, it would be wiser to consider it as exceptional and more suitable to be placed to reserve for contingencies in a less favourable year.

All these, and many other factors, make a scientifically accurate comparison of profits one year with another a matter of considerable difficulty. To show these differences year after year by a closely detailed analysis of our profit and loss would be impracticable in any statement short enough to be intelligible. The whole matter seems to resolve itself into a question of sound banking judgment. Our aim is to present figures to you which, having regard to all the circumstances of the time and possible contingencies in the future, constitute a reasonable comparison one year with another.

STAFF BONUS

I feel sure that the bonus to the staff, which I have already mentioned, approved after the most friendly and frank discussions with the representatives of our Staff Association, will be gladly endorsed by our members. The staff have been working under considerable difficulties; many new

duties and regulations have been imposed upon them, and a large number are new to their work, and some time is necessary before they can carry out their duties with the same celerity and accuracy possible for more experienced individuals.

They have also, like the rest of the public, been hard hit by the general circumstances of the present time. Nothing perhaps gives us more anxiety and perturbation than the continual conflict between the arguments of the head and heart in these matters. When one sees on all sides constant increases to wages and salaries being granted, it goes against the grain to take a stand on the hard economic doctrine associated with the "vicious spiral" theory, however clearly the head insists on the soundness of its teaching.

THE KENNET COMMITTEE REPORT

You will have been interested during the year to see the appointment of the Kennet Committee, with the duty committed to them of inquiring as to the release of manpower from banking and allied businesses. Banks gave full evidence on the subject, and were anxious to collaborate with the Committee as fully as possible. You will have been pleased to learn from the Report of the Committee that they paid tribute to the helpful part played by the banks. In fact, I believe all the major recommendations, with the exception of that proposing early closing, were agreed to, if not actually suggested, by the representatives of the banks themselves before the Report had been issued.

In the case of our own bank we have released 5,003 men and women of the permanent staff, and have closed 424 branches and sub-branches. You will readily realise what a strain has been put on our organisation by the great changes involved. Quite apart from the numbers mentioned above, we have engaged 13,000 temporary

staff since the commencement of the war, 6,000 of whom have left our service to join the armed forces or to take up other war work.

Our pre-war number of clerical male staff (excluding our special Army Agency Branch at Pall Mall) was 10,077, and of those there are only 4,600 left in the bank, of whom nearly 200 are awaiting call up to the Forces. When they have gone we shall be left with approximately 44 per cent. of our pre-war male clerical staff, having lost 56 per cent. either to the Forces or by normal wastage such as death, etc.

FACILITIES TO THE PUBLIC

It is interesting to note what a complete reversal of opinion, not apparently due to war conditions alone, has taken place in regard to the facilities given by banks to the public in the number of branches provided. It is not more than a few years back that the cry was, the more branches and the more banks the greater facilities and convenience to the public, and the more beneficial the consequent competition. So much was this the case that Government interposed to prevent any further amalgamation between banks, except with special permission.

At that time there was a definite, though quite unwarranted, fear of closer arrangements being made between banks lest they should develop into a money trust. Now it is argued, not merely on account of war requirements for manpower, but on the ground of economy, that the number of branches in many towns is excessive, uneconomical, and ought to be diminished and that service to the public should take second place.

In the interests of paper economy I have confined my remarks to matters strictly appertaining to the bank's business and have refrained from commenting on the many highly interesting problems of more general application.

district for many years, where he was highly esteemed.

MANAGEMENT AND STAFF

Shareholders will have read in the newspapers the announcement of the retirement on December 31st last of Mr R. Norman Smith, one of the general managers. I cannot allow this event to pass without an expression of sincere regret on my part as well as that of all the directors. Mr Norman Smith has given to the bank 43 years of devoted service. He is well known to, and held in high regard by, innumerable customers and members of the staff and we shall all miss him. I know shareholders will join me in wishing him the long and happy retirement he has so well merited.

For the last three years I have given some details of the changes in the number and composition of the staff which war conditions have imposed upon us in common with all the other banks, and shareholders will be aware of the voluntary action of the banks in economising labour. They will also be aware that the Government included banking in an official inquiry into manpower instituted in the early part of the year under the chairmanship of Lord Kennet, and that after some months of investigation the Committee of Inquiry issued a report adopting as one of its recommendations a suggestion put forward by the banks themselves for a reduction in their pre-war staff, and incidentally paid a tribute to the labour-economising measures which the banks had already carried out voluntarily. The net result is that by the spring our staff will be reduced to 85 per cent. of its pre-war figure, notwithstanding the fact that we shall have lost to the Forces or industry over 3,700 of our pre-war trained staff, which represents 56 per cent. of our strength at the outbreak of war. Of these, 1,200 now hold commissioned rank, and during the past year a further number have been decorated for gallantry in action, in

addition to those mentioned a year ago. Our best wishes for a safe and speedy return go out to all those members of the staff now on active service.

The employees are represented in this bank by separate staff associations for men and women, and contact has been maintained between the board of directors and these associations throughout the year. The result of these conferences has been in every way helpful both in respect to the work of the bank and to the general interests of the employees.

THE PUBLIC AND BANKING SERVICES

Despite depleted numbers and the exigencies of war, it gives me great pleasure to tell you that the high standard of efficiency to which the public is accustomed has been fully maintained and the work of the bank has been carried on with a spirit of utmost goodwill. Both our shareholders and the public may rest assured that this same spirit of helpfulness will be shown by those who have recently been brought into the service of the bank as was shown by those who are now serving in the Armed Forces of the Crown. As some sort of measure of the increase in the volume of work with which reduced staffs have had to cope, I may mention that the grand total of the clearings for 1942, at £48,657 millions, showed an increase of no less than 13.1 per cent. over the previous year.

The closing of offices which, under normal conditions, would have remained open must have caused inconvenience to a number of our customers, and I would like to repeat my appreciation of their considerate attitude when facilities have been withdrawn to which they had become accustomed, and which were of real service to them.

STATEMENT OF ACCOUNTS

The enclosed statement of accounts shows an expansion in deposits, which have now reached the figure of £473,000,000. Cash stands at £51,175,000, being 10.8 per cent. of the deposit liabilities. No revenue is derived from this large holding which, in fact, involves expense in handling. Cheques in course of collection are £24,433,000. Money at call and short notice stands at £16,542,000. Nearly the whole of the holding of bills consists of those issued by the Treasury. The total figure appearing in the balance-sheet against bills discounted is £30,303,000.

Another large lending to the Government consists of Treasury deposit receipts, which total £111,000,000. The investments, the bulk of which are British Government securities, redeemable within a relatively short period, amount to £144,000,000. Advances, normally our main earning asset, continue to decrease owing to the operation of the various Government controls over industry, and are now £104,762,000.

PROFIT AND LOSS

You will, I am sure, be gratified at the result of the year's work, which shows a net profit of £1,132,018, representing an increase on last year. After payment of dividends at the rate of 15 per cent. per annum and allocations of £100,000 to bank premises account, £150,000 to pension fund and £150,000 to War Contingencies Fund, the amount left to be carried forward is £564,175.

EFFORT FOR VICTORY

We have now entered upon the fourth year of the war, when the effort needed to make a real advance towards victory will be very great—and not least in the sphere of national finance. The necessity for curtailing personal expenditure is being impressed upon us continually with increased emphasis by the Chancellor of the Exchequer. The part which we, as bankers, are called upon to play in this matter is to continue to make this fact known among all those with whom we are brought in contact in the course of our daily business, and in this way to direct the minds of the public towards increasing their holdings in one or other of the various Government issues.

DISTRICT BANK, LIMITED

SATISFACTORY RESULTS

E.P.T. AND THE BANKS

FINANCIAL PROBLEMS OF BEVERIDGE REPORT

STATEMENT BY THE CHAIRMAN, SIR R. NOTON BARCLAY

THE BALANCE SHEET

The chairman, Sir R. Noton Barclay, has issued the following statement to the shareholders of District Bank, Limited, prior to the 113th annual meeting to be held on the 29th instant at the head office, Spring Gardens, Manchester.

I am following my wartime practice of circulating to shareholders, in the form of a printed statement, my observations on the report and balance-sheet, as well as on more general affairs.

Some end-of-the-year changes have taken place amongst the bank's principal executive officers. Mr George C. Sumner, the last general manager of the County Bank, and, since the merger, one of our joint general managers, has retired on pension. We extend to him our best wishes for good health and all happiness in the future. Mr Albert Dunn, who before the amalgamation was assistant to Mr Sumner, has been appointed an assistant general manager.

As was to be expected, another year of war has drawn heavily on our staff, not only in numbers but in experience, as the older men are called up for active service. Inevitably, as increased numbers of our men are involved in the greater dangers of war, casualties mount up, and we grieve that 24 are reported to have lost their lives, eleven to be missing and twelve to be prisoners of war. We are proud that some members of the staffs have earned distinction for gallantry in action, although unhappily this has not been without loss of life. I know that you will share my feelings of profound appreciation of so much courage and sacrifice. Our deepest sympathy is tendered to the many relatives and friends who, of necessity, suffer anxiety and sorrow.

STAFF PROBLEMS

In anticipation of the contraction which has occurred in our experienced personnel over the past twelve months, we adopted far-reaching measures to economise in labour. This has been achieved by the fullest possible utilisation of effort in every-day work, by strictly confining activities to essential duties, by longer working hours, and the more intensive training of entrants. The task has not been easy, especially as wartime demands on banking involve us in much intricate procedure. Of necessity, therefore, but fortunately with the kind understanding and tolerance of customers, we have had no option but to curtail certain normal facilities by continuing to close some offices and by limiting hours of business at others. Actually, many steps we had already taken have anticipated the recommendations of the Kennet Committee. To adopt the further suggestions of this Committee will obviously present difficulties, but we shall, of course, do what is expected of us in the further release of manpower.

Our officials and staff are involved in much careful planning which, with the growing strain of their daily work, is a matter of no small consideration, particularly as they are already burdened with many wartime responsibilities, such as the necessary protection of our premises as firewatchers and other Civil Defence tasks. Their whole-hearted support has brought us through the past year with most satisfactory results, and I am pleased once more to express warm appreciation of their loyalty and devotion to arduous duties. As a practical token of this appreciation the board granted to the staff a special bonus which was distributed last month.

Bank figures generally have increased considerably over the past twelve months. Our own deposits show an expansion at £145,967,000, and a satisfactory increase in the number of our customers continues.

The assets side of our balance-sheet gives evidence of the extent to which the bank provides financial assistance to the Government. Over the period of twelve months there has been a marked rearrangement of our principal assets. Holdings of Treasury deposit receipts have increased and at £36,000,000 they are the second largest item, while advances, still third, are nearly £24,250,000, showing little change against 1941 although the average for the past year has run at a lower level. A large portion of them is to enable customers to execute Government contracts. Our investments have been augmented until they now stand at a total of £52,787,000. Here is evidence of an increasing flow of our funds to the Government for use in its present urgent need and, beyond this, by lending our resources to the State in Treasury bills and in Treasury deposits we further facilitate the participation of the Government in financing wartime output. Finally, it may be remarked, that part of our cash represented by balances at the Bank of England is directed to Government use, since the greater portion of the assets of the Central Bank consists of Government securities.

From this it will be seen that practically all our resources are directed to the war effort, and we play a full part in the great objective to which the country is committed.

NET PROFIT

There has been much speculation in the Press and elsewhere as to why the banks have not hitherto been liable to excess profits tax in view of their greatly increased resources. While it is true that the expansion improves the gross earning power of the banks, insufficient weight is given, in comparison with the E.P.T. standard years, to various factors offsetting that gain. The following are points which materially affect the position:—

- Interest is generally paid by the banks on the increased resources.
- A considerable increase in expenses.
- An increase in liquid resources, which are now about 50 per cent. of the liabilities of banks to their customers as against approximately 30 per cent. (the difference is represented by short loans to the Government on Treasury deposit receipts at 1½ per cent., money which, under other circumstances, would be employed in loans to customers or in investments yielding higher returns).
- The income from advances is less as a result of the decline in their volume.
- The reduction of interest on numerous investments, due to repayment and reinvestment of the proceeds at current lower yields or to conversion at lesser rates of interest—e.g., 4½ per cent. Conversion Loan (into a 2 per cent. issue), Dominion, Colonial, Corporation and other securities of a similar class.

On broad lines the position is that our income has been more than sustained by the use of the larger resources at our disposal and the progressive expansion of our business, although the average yield per cent. on our total assets has declined.

The net profit for last year was £421,749 and, in accordance with our invariable custom, was arrived at after fully providing for all bad and doubtful debts and for

NATIONAL PROVINCIAL BANK LIMITED

HIGH STANDARD OF EFFICIENCY MAINTAINED

INCREASE IN NET PROFIT

NEED FOR CURTAILING PERSONAL EXPENDITURE

MR COLIN F. CAMPBELL ON THE BANK'S PART

The one hundred and tenth annual general meeting of the National Provincial Bank, Limited, will be held, on the 28th instant, at the Head Office, 15 Bishopsgate, London, E.C. 2.

The following is the statement by the chairman, Mr Colin F. Campbell, circulated with the report and accounts:—

As the conditions which prompted me to circulate my observations on the report and balance-sheet in previous years still exist, I am taking a similar course this year, and consequently the proceedings at the annual general meeting on January 28, 1943, will be confined to the necessary business to be transacted.

BOARD OF DIRECTORS

At the annual general meeting last year I reported that the bank had lost the services through death of the Right Hon. Lord Illingworth, P.C. Lord Illingworth had been a director of the bank for over 20 years and his loss has been very much felt. So that we might continue to have the advantage of some representation on the board of the local directors in Bradford, Mr Dudley Holden Illingworth was appointed to fill the vacancy. He has served as a local director since 1919 and

has had a long experience of business in the West Riding, rendering valuable service to the bank. In February, the Right Hon. the Earl of Selborne, P.C., was appointed Minister of Economic Warfare, and, consequently, relinquished his seat on the board.

I have also to report that we have appointed Mr James Cadman, D.S.C., D.L., to a seat on the board. He brings with him a wide and varied business experience which will be most useful to us. Another change which has been made in the constitution of the board of directors is the appointment of Colonel Bertram Abel Smith, D.S.O., M.C., T.D., A.D.C., one of the extraordinary directors. He has been associated with the bank for many years and has had an extensive experience of business in the City of London.

Among the local directors of the bank we have suffered loss through the death of both Mr Gerald C. Mercer, of Maidstone, and Mr W. H. Greville Edwards, of Bristol. Mr Mercer was extremely popular in Maidstone and, in fact, throughout Kent. He had been a partner in the private banking house of Wigan, Mercer, Tasker and Co., acquired by the Union of London and Smiths Bank, prior to the amalgamation with this bank. Mr Edwards had been a local director in the Bristol

taxation and contingencies. With the sum brought forward from the previous account we have a total of £737,691 available. Appropriations were £100,000 to pensions and annuities fund and £60,000 to bank property account, and dividends, being distributed at the same rates as in 1941, absorb £259,673, leaving a sum to be carried forward of £318,018.

NATIONAL AFFAIRS

For the moment everything must, of course, be subordinated to gaining victory, and consequently some would suggest that it is waste of time and energy to start planning now for the post-war years. It would, however, be a calamity if the conclusion of hostilities should find us without a clearly defined programme for the changed world which will emerge. Hence Sir William Beveridge's recent great scheme for a Ministry of Social Security is welcome, if only as an indication of the Government's determination to take active steps in this direction.

The possible effects of this scheme, if adopted, upon the future economic welfare of this country are much discussed at the present time and, whilst the great majority must agree with its objects, it naturally raises many questions in people's minds. I, therefore, think it appropriate to refer briefly to one or two of these.

POSSIBLE EFFECTS OF BEVERIDGE SCHEME

Firstly, can we carry the financial burden which the scheme would involve? What the real additional cost would be it is difficult to estimate. There are even those who calculate that the over-all cost to the nation would not exceed the present actual outlay. Be that as it may, it must, of course, be borne in mind that the benefits mentioned are only tentative. Even on the figures suggested, however, I think the actual additional burden would not really prove as heavy as may appear on the surface. To a large extent the nation is already carry-

ing that burden, if not directly, then indirectly and perhaps in a more costly manner through the social services now ministering to those who suffer from the lack of proper provision. Regarded from this aspect, is it not largely a case of rationalising a financial burden which already exists?

IMPORTANCE OF EXPORTS

Another point relates to one of the hypotheses upon which the scheme is based, the all-important assumption that there shall be no mass unemployment such as was experienced after the last war. If such unemployment is to be avoided no effort should be spared to retain our export trade which, as Sir William Beveridge says in his report, is so essential to Britain in providing payment for her raw materials. In the earlier days of the war the authorities were very anxious to encourage exports in order to find exchange wherewith to purchase the necessary supplies from abroad. Since the institution of Lend-Lease, however, the Government has not the same direct interest in preserving overseas outlets through which hitherto a large volume of British manufactures has passed. For instance, some of these are to-day entirely closed to the textile trade owing to lack of either or both quotas and export licences. On the other hand some markets are still fairly well supplied with our products. Recalling our bitter experience after the last war, wherein we found difficulty in regaining markets once lost to us, could there not now be a more even distribution to safeguard our re-entry into such markets? Obviously, everything at present must be subject to the exigencies of war, but we must not close our eyes to the ultimate vital need for these outlets, if victory is to ensure the well-being and social betterment of this country.

PEACETIME PROSPECTS FOR EXPORTER

Viewed from the angle of finance, the peacetime prospects for our exports are

not discouraging. On the conclusion of hostilities Britain and America may well be the only countries able to guarantee loans to other nations. Yet reconstruction loans on a vast scale will be required, especially by European countries, and by co-operation in the liberal satisfaction of such needs much might be done to revive our overseas trade. Certainly the prospects would appear good, for the utilisation of the proceeds of such loans on goods and services would stimulate the necessary revival of international trading.

NEED FOR FOSTERING DEMAND

Probably it is true to say that owing to the enormous growth in world productive capacity there is to-day a sufficiency, potential if not actual, to satisfy the essential needs of mankind. In recent years, however, primary products have actually been destroyed in large quantities, and in some industries there has been a wholesale closing down of plant in an endeavour to equate supply to demand. I think we are beginning to realise that this problem should be approached from the opposite angle. Enormous unsatisfied requirements are constantly pressing and the objective should be to convert this consuming power into actual demand, both within our own nation and internationally: in other words the aim should be to foster demand rather than to restrict supply. That this can be accomplished is not beyond human ingenuity.

With proper organisation of employment future planning should achieve a more equal distribution of purchasing power amongst consumers, and this, with control of exchange (at any rate in the early post-war years, so as to facilitate the free flow of goods between producer and consumer) should largely help 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, as forecast in the Atlantic Charter.

played, namely, £183,500,000. With £373,015 brought forward from last year's accounts, there is a disposable sum of £949,649. After paying the two dividends of 7½ per cent. each, less tax, costing £312,003 net, we shall have a balance of £637,646.

This year we have placed £100,000 to our published reserve, bringing that fund to £3,700,000, and have added £50,000 to pensions reserve fund. A sum of £100,000 has been transferred to reserve for future contingencies, where it is available to meet any of those requirements that experience teaches us should not be overlooked in an emergency such as that through which we are passing. The bank's reserves are the outcome of more than a century's trading and, being typical of the system of British banking, illustrate why that system, with its other traditional methods, is unsurpassed. These accumulated reserves are not more than prudence dictates as being adequate to maintain the high standard set by our banks. £387,646 is carried forward to next account, an increase of £14,631 on last year.

The balance-sheet shows a high state of liquidity. Cash items, which comprise cash and balances with other banks, market money, Treasury bills and Treasury deposit receipts, total £82,230,000, that is 49 per cent. of deposits. This liquidity, higher now than in normal times, is another factor in limiting profits, and one that is essential in order to provide those safeguards necessary in times of great economic and financial difficulties.

It will be noted, in appraising our part in the national effort, that no less an amount than £108,148,000 out of deposits of £167,339,000 is employed in loans to the Government by way of investments, Treasury deposit receipts and Treasury bills. In addition there are, apart from the large amount advanced to customers who are on war work, the bank's engagements in respect of credits and other obli-

gations entered into in connection with the import of essential commodities.

KENNET COMMITTEE'S REPORT

That is the tale of the bank's war service during the year on the financial side, but there is another aspect. Before the Kennet Committee was set up to inquire into the volume of man power that could be provided by the banks, we had taken measures to arrange for the inevitable release of staff. Many branches had been closed, and in others hours of service to the public had been reduced. Work that could be regarded as non-essential in war time was curtailed, and we had sought to obtain the maximum advantage from mechanisation, substantial saving being made by the adoption of centralised posting of ledgers in appropriate areas. Statistics and returns were steadily cut down.

On the publication of the report of the Kennet Committee it was clear that if the banks were to reduce their staffs to 85 per cent. of their pre-war strength, as recommended by the Committee, further endeavours would be needed to meet this exacting requirement, which has already been studied and is being actively enforced. The report of the Committee, whose investigation had been searching, was in no sense adverse to the banks. Indeed, it stated that banking employers and employees had consistently demonstrated the greatest willingness to perform all that was required in the present emergency.

So far, 56 per cent of our pre-war male managerial and clerical staff have been released to join the forces or some form of national service. All our fit men in their forty-second year and under have been released, with the exception of 4.6 per cent. of our pre-war male staff who have been reserved. The losses have been partially replaced by temporary staff, principally women, many of them inexperienced and requiring to be trained by the remaining staff. I am glad to acknowledge the efficient and willing way in which the work of the bank is discharged by the whole management and staff under very trying conditions.

With deep regret I inform you that 33 of our staff in the forces have lost their lives, on service; 7 are reported missing;

BRITISH CELANESE, LIMITED

PROFIT ESTIMATE EXCEEDED

PROGRESS IN CURRENT YEAR

DR. HENRY DREYFUS'S SPEECH

The twenty-third annual general meeting of British Celanese, Limited, was held, on the 20th instant, at Winchester House, Old Broad Street, London, E.C.2, Dr Henry Dreyfus (chairman and joint managing director) presiding.

The chairman said: Ladies and gentlemen,—I propose with your approval to take the report and accounts as read. (Agreed.)

The profit and loss account shows the balance of trading account of £3,152,115.

RESULT OF YEAR'S OPERATIONS

After provision for general sales and administrative expenses, Excise duty, etc., together with research and advertising, there remains £2,016,290. After charging depreciation, interest and premium on debenture stocks, etc., but omitting the appropriation hitherto made in respect of commutation of royalties, there remains a net profit of £1,498,495, subject to taxation. It will thus be seen that the estimate of profit before taxation which accompanied the directors' original proposals for satisfying the arrears of dividend on the second preference shares has on a comparative basis been exceeded by £167,353.

After providing for taxation, the pay-

and 26 are prisoners of war. The sincere sympathy of all connected with the bank will, I am sure, go out to the relatives in their loss or in the anxiety they may be suffering. An increasing number of those in the forces have received decorations or distinctions for gallantry or other special service. It is with pride I congratulate both them and their relatives, and I have no doubt that the members will wish to join me in sending a message of good wishes to all our staff who are serving in the forces, or in other national service whether at home or abroad.

ACTIVITIES MAINTAINED

While methods of work have been curtailed, the actual volume of business of the bank has not diminished; turnover for 1942 largely exceeded the figures of 1939, the year immediately preceding the war, and the number of cheques cleared was little short of the total for that year. In other ways additional duties have been undertaken, one of these being the conduct of large numbers of clothing coupon accounts since June last. The handling by the banks of these enormous masses of coupons, originally estimated at 3,500,000,000 per annum, in a scheme which has worked smoothly and satisfactorily, is evidence of the adaptability of the banking system.

LENDING TO THE STATE

Another duty to which members of the staff throughout the service devote much time and enthusiasm, both inside and out of the bank, is the receipt and encouragement of applications for Government loans on issue. Our customers are subscribing handsomely to the various loans, and the staff, through groups established over the whole service, is contributing a notable annual amount in regular periodic payments. The coming year and particularly the "Wings for Victory" weeks campaign shortly to be inaugurated will give everyone, both large and small savers, a further opportunity of lending to the State the funds urgently needed to prosecute the war. An increasing effort is required in this direction, and I stress that there should be no relaxation but rather a re-

doubling of the response to the appeal of the Chancellor of the Exchequer.

REPUTATION OF BRITISH BANKING

In times of great national strain it is proper that all aspects of the country's activities should come under review, and that criticism, so long as it is well informed and disinterested, should be focussed upon the working of the economic and social organisation to see that it is functioning efficiently. In this way searchlights have played upon all our industries, and, not least, banking has been subjected to comment from many quarters. It can justifiably be claimed that the banking system, founded on long experience and constantly adapting itself to changing times, has been equal to all the demands of the war. British bankers and the banking system, developed through the centuries from the days of Sir Thomas Gresham, who worked on the very site of our Lombard Street office, can be judged by their record and their reputation, and I do not think I can put it better than in the words of an eminent correspondent, who wrote recently that if there was one thing to which he clung in the present cataclysm it was the flawless integrity of the banks.

I will conclude this statement with a reflection on the change in atmosphere, rather than in our figures, that has taken place since a year ago. As I see it, there is everywhere a renewed patience, good humour, determination to make the best of everything and overcome all difficulties. There is seemingly to-day plenty of reserve buoyancy of spirit, and the bank's bearings, like the nation's, are all free running and cool. It is a general atmosphere which can only be sensed by contact with all sorts of war activities—in the camp, in the factory, on the seas, in the office, on the farm. The wider one's experiences and relationships the more one can sense a new spirit. It is as if the collective spirit were saying to itself "Somehow we have survived the worst and now we are on the right course with lots of steam in the boiler. We know now where we are going. We see the need for it. There are no more doubts. We will get on with it properly and we are going to enjoy the Doing, which will bring us Victory and Peace."

£3,500,000 have been added to the asset values during the last 10 years, you will appreciate that the assets prior to the period mentioned have been depreciated to a much greater extent than 43 per cent.

Stock values are £1,692,748; debtors and payments in advance are £691,366; and cash, tax reserve certificates and Government securities amount together to £2,183,596. The increase in the amounts owing by subsidiary companies is accounted for by a loan made to one subsidiary company for plant construction.

On the liabilities side sundry creditors at £919,371 10s. are approximately the same as last year, but you will see that the taxation reserve of £1,708,628 shows the substantial increase of £614,059; this, of course, is the result of the increase in profit for the year. The 7 per cent. first debenture stock has now been completely repaid, and a new 4 per cent. debenture stock amounting to £550,000 was created during the year, in connection with activities arising out of the war; of this, £162,000 was issued in the same period, since increased to £386,000.

SATISFACTORY RESULTS

The above figures show that substantial progress has been made in the earnings of the company, which confirms statements I have made from time to time about its profit-earning capacity, especially as such results have been obtained from the operation of only part of the company's plant, due to difficult operating conditions which necessitated adjustment from time to time.

I think you will agree with me that these results are satisfactory. You must, however, bear in mind that new difficulties may

MARTINS BANK, LIMITED

INCREASED TURNOVER

HELP TO WAR CONTRACTORS

UNSURPASSED BANKING SYSTEM

MR. F. A. BATES ANSWERS CRITICISMS

Mr Frederic Alan Bates, chairman, has issued to members of Martins Bank, Limited, along with the report and accounts to be submitted to the 112th annual meeting on the 26th inst., the following statement reviewing operations in 1942:—

Since my last annual statement there have been changes upon our Manchester board. Lord Colwyn, wishing to curtail some of his activities, has resigned from that board, of which he had been chairman since the amalgamation of the Lancashire and Yorkshire Bank with Martins. I am glad to say he is retaining his deputy chairmanship of the general board, so that his ripe experience will still be available to us. He has been succeeded in Manchester as chairman by Sir William Clare Lees, Bart. During the year Mr. Angus D. Campbell was elected to the Manchester board, and as he brings with him wide commercial knowledge his collaboration is highly valued.

FEATURES OF YEAR'S FIGURES

The balance-sheet for the year 1942 again bears the impress of the change-over from the world wide trading of peace to the concentrated and specialised production for total war. From these war-time changes arise the three most noteworthy features of the year's figures. Customers' deposits have increased by £9,736,000; Treasury deposit receipts are £18,500,000 more; and advances to custo-

mers are down* by £3,679,000 notwithstanding that the bank is giving great help in many directions to contractors engaged on war work in order to stimulate production. In striking fashion these three features reflect the dormant state of the arts, crafts and industries of peace, while the whole effort of the country with united will is bent towards victory in war.

With regard to the increase in deposits, it will be noted that this is much less than in 1941, mainly due, as I forecast in my last statement, to large sums being withdrawn by customers for the purpose of taking up tax reserve certificates.

To a great extent, the loss of the more remunerative outlet for our funds by way of advances to customers has been offset by the employment of larger deposit resources in Treasury deposit receipts (£46,500,000 at the date of the balance-sheet) and in investment in government loans (£54,128,000), but the small margin of profit earned, coupled with increasing expenses, has resulted in the net profit being some £10,613 less than last year. Excess profits are not being made by the bank out of the war. In point of fact, if they were excessive the appropriate amount would be transferred to the Government by the operation of the excess profits tax.

RESERVE STRENGTH

The net profit is £576,634, a moderate figure considering the large assets em-

arise in future which may influence the results, although you may rest assured that we shall use every endeavour to meet any such difficulties.

The results of the first six months of the current financial year are estimated to show an improvement on those of the corresponding period in the previous year, although such profit increase will be subject to Excess Profits Tax.

E.P.T. BASIS

At the special meeting held on the 29th October, 1942, I mentioned that we expect by the end of the current financial year that the amount paid and accruing in respect of E.P.T. may exceed the sum of £1,000,000, which will provide a cushion in case profits owing to unforeseen circumstances should fall below the standard.

The Report indicates that the basis on which the standard is calculated has been agreed and that a large claim which I mentioned to you at the special meeting has not been allowed. This standard is flexible and may vary as I have explained to you previously, in accordance with the different factors which operate.

At one of our recent meetings I had an opportunity of explaining that the Board wished to be as helpful as possible to the Second Preference shareholders in connection with their participating rights, as well as to the Ordinary shareholders so far as dividends are concerned. You will, however, realise that although large profits have been made the Excess Profits tax standard imposes restrictions in this connection.

Shareholders may, however, rest assured that the Board will give favourable consideration to the claims of the Participating Second Preference and Ordinary shareholders as soon as this can be done without impairing the soundness of the Company's financial position.

RESEARCH ACTIVITIES

The Company continues to be engaged in many directions in extensive research and development of processes, in particular in connection with the war effort. These activities embrace various chemicals used for many different purposes, and especially such chemicals as may be needed for textiles, synthetic or otherwise, and plastics. So far as plastics are concerned we have been in this business for more than 20 years, and virtually all the well-known plastics, as well as new plastic products developed by us, come within the orbit of the Company's activities.

As a result of extensive research over many years we are also progressing with various textile products, including high tenacity yarns and other new textiles built up completely synthetically from coal with or without nitrogen. These will not only play their part in the future of the Company but also in the industry generally.

CONTROL AND CO-OPERATION IN THE INDUSTRY

The volume of rayon production, both for the industry as a whole and for individual firms, continues to be subject to control through the Ministry of Supply and

the Board of Trade. Output is restricted and the available yarn is apportioned between the different sections of the textile industry according to Government directions. During 1942 further cuts were made in export allocations with the result that export demand is far in excess of supply.

Co-operation continues between the different sections of the rayon industry, latterly through the Rayon Council. All the principal sections of the industry, from yarn producers to fabric merchants, are represented on the Council, whose purpose is to provide a common meeting ground where matters affecting the industry may be discussed.

The results of the American and Canadian Celanese Companies which are advertised from time to time in this country will have kept you informed of the continued progress these companies are making.

TRIBUTE TO EMPLOYEES

Finally, may I be permitted to take this opportunity of thanking all our employees in our factories and establishments in different parts of the country for the energy and resourcefulness which they have continued to devote under the increasingly difficult conditions, and who have contributed largely to the satisfactory results obtained.

The report and accounts were adopted and the two classes of preference shares were converted into preference stocks. The re-election of retiring directors and of the auditors concluded the proceedings.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE burst of activity which heralded the New Year in the markets has somewhat subsided for the present. Turnover, as reflected in the markings recorded during the past week, shows a fall of nearly 20 per cent. Nevertheless, prices, mainly equities, have continued to advance under the influence of the encouraging war news and the acute shortage of floating stock. Apart from a slight response by several irredeemable and long-dated issues to the news of the Indian Railways vesting order, the gilt-edged market was featureless, prices remaining relatively steady on the reduced turnover. Australian issues improved steadily on the New Guinea successes. A small advance for Chinese bonds was registered in the foreign bond market. But, apart from some minor improvements in Brazilian stocks South American stocks were unchanged. The decline in activity in the home rail market, arising partly from the resumption of air raids and partly the reaction to the recent advance, was considerable, although losses were relatively small, if persistent, and restricted to the junior and marginal preference stocks. The general fall in Argentine rail issues, occasioned by the increased operating costs statement, came to a halt at the close of last week, and until mid-week prices have remained steady at their reduced levels.

Good gains, occasioned by selective buying of heavy industrial stocks, imparted a firm tone to the industrial market. Leading brewery issues enjoyed small but steady gains, but both Imps and Bats were dull,

the latter falling 1s. 3d. on the earnings statement. Changes in the motor and aircraft section were mixed, Leyland, Thornycroft and Albion Motors rising, while J. Lucas fell steadily. Small advances were scattered throughout the heavy industrial section, gains for Hadfields, Firth Brown, Colvilles, and Stewarts and Lloyds ranging from 6d. to 1s. Turnover in the shipping group was slight, the few scattered movements being without significance. Plastics shares attracted considerable support early this week, and, despite a later reaction, De La Rue, ICI and Wall Paper deferred—the latter rising 2s. 3d. on the acquisition of the plastics subsidiary—all enjoyed useful gains. British Celanese, too, were firm, and elsewhere in a buoyant textile group Courtaulds and English Sewing Cotton were higher on balance. A strong demand for both electrical equipment and supply shares occasioned numerous advances in both groups, Associated Electric rising 2s. 6d. Among miscellaneous issues, Turner and Newall, Reckitt and International Nickel were all higher on the week.

An optimistic reading of the Union Budget speech induced a resumption of Cape buying in the kaffir market on Tuesday. Earlier demand centred on Far West Rand issues, but later became more widespread. The shortage of stock was reflected in gains of 3s. 6d. for Blyvoors and numerous advances of 1s. Diamond shares, particularly De Beers, were strong, the deferred and preferred both rising 1½. Rubber shares were quiet with changes almost entirely absent. Some activity developed in the tea market, several issues improving. The oil market was not particularly active, small improvements for leading issues reflecting shortage of stock rather than active buying. VOC, however, weakened on the President's statement on royalties.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. 20 Fixed
Jan. 14.....	5,578	3,180	96.1 136.1
" 15.....	5,349	3,164	96.4 136.1
" 18.....	7,049	3,668	96.6 136.3
" 19.....	5,372	2,906	96.7 136.5
" 20.....	5,676	2,819	96.9 136.5

* July 1, 1935=100. † 1928=100. 80 Ordinary shares, 1942: highest, 93.7 (Dec. 31); 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

ENCOURAGED by the favourable war news, Wall Street witnessed a continuation of the recent upward swing during the past week. Rail and steel issues, including selected industrial stocks, were prominent in the fairly general advance, which remained unchecked by light profit-taking. Early in the current week, on the anticipated technical correction, quotations were reduced throughout the market, although individual losses seldom exceeded a point.

STANDARD STATISTICS INDICES

(1935-36=100)

WEEKLY AVERAGES

	1942	Dec. 30, 1942	Jan. 6, 1943	Jan. 13, 1943
	Low April 29	High Dec. 30		
347 Industrials.....	82.4	80.3	80.3	81.1
32 Rails.....	58.44	75.46	70.5	72.6
40 Utilities.....	63.1	67.46	65.7	67.9
419 Stocks.....	80.8	77.4	77.4	78.5
Av. yield %.....	8.40	5.42	5.42	5.36

* 50 Common Stocks. (c) Nov. 4. (d) June 24. (e) Oct. 21.

(Continued on page 130)

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	250
Overseas Trade Guarantees.....	10
	260

NET RECEIPTS (£ thousands)	
Defence Loans Acts.....	10,225
Land Settlement Acts.....	9
	10,234

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1942						
Jan. 17	970.0		Not available			
Oct. 17	980.0		"			
" 24	990.0		"			
" 31	1000.0	1730.5	225.7	5.2	833.0	3794.4
Nov. 7	1010.0		Not available			
" 14	1020.0		"			
" 21	1030.0		"			
" 28	1040.0	1705.5	287.1	11.0	888.5	3932.2
Dec. 5	1050.0		Not available			
" 12	1045.0		"			
" 19	1045.0		"			
" 26	1045.0		"			
" 31	2,833.2		161.6	67.7	966.5	4029.0
1943						
Jan. 9	1045.0		Not available			
" 16	1040.0		"			

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1942					
Jan. 16	70.0	143.2	65.0	20	1.85
Oct. 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	0.45
" 13	85.0	170.7	85.0	20	0.60
" 20	85.0	178.6	85.0	20	0.40
" 27	80.0	169.0	80.0	20	1.44
Dec. 4	75.0	158.9	75.0	20	1.27
" 11	75.0	144.7	75.0	20	1.49
" 18	75.0	137.4	75.0	20	1.64
" 24	75.0	144.8	75.0	20	1.25
" 31	75.0	143.5	75.0	20	2.05
1943					
Jan. 8	75.0	133.9	75.0	20	2.11
" 15	75.0	140.0	75.0	20	1.56

On Jan. 15th applications at £99 15s. per cent for bills to be paid for on Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 36 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Monday and Saturday were accepted in full. £75 millions of Treasury Bills are being offered on Jan. 22nd. For the week ending Jan. 23rd, 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
Dec. 8.....	4,166	1,971	4,036	6,549
" 15.....	4,097	1,855	4,359	2,376
" 22.....	3,779	1,363	5,971	3,028
" 29.....	3,495	1,375	3,705	8,276
Jan. 5.....	4,935	1,974	8,795	3,513
" 12.....	5,444	4,006	15,308	9,718
" 19.....	...	...	9,275	5,105
Totals to date...	688,349	526,032	976,055	752,420

* 164 weeks. † 107 weeks. ‡ 67 weeks. § Including series 1951-53. || Including all Series. Interest free loans received by the Treasury up to Jan. 19th amounted to a total value of £53,431,995. Up to Dec. 31st, principal of Savings Certificates to the amount of £91,823,000 has been repaid.

GOVERNMENT RETURNS

For the week ended Jan. 16, 1943, total ordinary revenue was £96,294,000, against ordinary expenditure of £125,623,000, and issues to sinking funds of £405,000. Thus, including sinking fund allocations of £9,596,904, the deficit accrued since April 1st is £2,383,854,000, against £2,317,314,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	Receipts into the Exchequer (£ thousands)				Week ended Jan. 16, 1942	Week ended Jan. 16, 1943
		April 1, 1941 to Jan. 17, 1942	April 1, 1942 to Jan. 16, 1943				
ORDINARY REVENUE							
Income Tax.....	913,000	426,039	517,242	46,991	61,902		
Sur-tax.....	78,000	41,127	35,359	6,230	5,850		
Estate, etc.,							
Duties.....	90,000	70,908	73,455	2,462	1,540		
Stamps.....	15,000	9,893	10,570	...	100		
N.D.C.....	425,000	16,774	22,431	490	927		
E.P.T.....		195,079	269,297	3,428	6,420		
Other Ind. Rev.	1,000	327	420	50	30		
Total Ind. Rev.	1522000	760,147	928,774	59,651	76,769		
Customs.....	438,295	289,101	361,468	8,636	7,476		
Excise.....	366,705	248,800	324,900	2,900	4,100		
Total Customs & Excise.....	805,000	537,901	686,368	11,536	11,576		
Motor Duties....	34,000	25,047	17,618	3,305	7,089		
Canadian Govt. Contribution	225,000	...	224,719	...	...		
P.O. (Net Receipts).....	10,000	9,900	9,700	500	250		
Wireless Licences	4,300	...	3,090	...	...		
Crown Lands.....	800	710	720	...	...		
Receipts from Sundry Loans	5,000	3,009	2,931	2	54		
Miscell. Receipts	21,000	63,897	78,807	2,003	556		
Total Ord. Rev.	2627100	1406611	1952727	76,997	96,294		
SELF-BALANCING P.O. & Brdcastg.	102,523	80,100	82,500	1,300	1,300		
Total.....	2729623	1480711	2035227	78,297	97,594		

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1, 1941 to Jan. 17, 1942	April 1, 1942 to Jan. 16, 1943	Week ended Jan. 17, 1942	Week ended Jan. 16, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	223,303	264,268	...	...
Payments to N. Ireland.....	9,500	5,899	5,844	...	...
Other Cons. Fund Services	7,800	7,154	7,064	...	223
Total.....	342,300	236,357	277,176	...	223
Supply Services.	4953204	3474206	4049808	86,000	125400
Total Ord. Exp.	5295504	3710563	4326984	86,000	125623
SELF-BALANCING P.O. & Brdcastg.	102,523	80,100	82,500	1,300	1,300
Total.....	5398027	3790663	4409484	87,300	126923

After decreasing Exchequer balances by £381,286 to £3,025,836, the other operations for the week (no longer shown separately) raised the gross National Debt by £19,377,946 to £16,444 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Jan. 15th and Jan. 21st. (Figures in brackets are par of exchange.)
 United States. \$ (4-88) 4-02-03; mail transfers 4-02-03. Canada. \$ (4-88) 4-42-47; mail transfers 4-43-47. Switzerland. Francs (25-23) 17-30-40. Sweden. Krona (18-159) 17-16-85; bank notes at Bank of England, 17-40 kr. 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) 99-80-100-20; mail transfers 99-80-100-30. Panama. 100-00-04; mail transfers 4-02-04. Brazil. 53-64 cr. (buying). Uruguay. 7-69-97 p. (buying).
 Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate)

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.
 Market Rates.—The following rates remained unchanged between Jan. 15th and Jan. 21st:
 Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National 2½-3½.

Special Accounts are in force for Chile, 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. 3 cent p.m.-par. Switzerland. 3 cent p.m.-par. Sweden. 3 ore p.m.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Jan. 15th and Jan. 21st:
 Bank rate 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

JANUARY 20, 1943

ISSUE DEPARTMENT

Notes Issued: 909,380,376	Govt. Debt... 11,015,100
In Circulation: 909,380,376	Other Govt. Securities... 937,544,781
In Bankg. Department: 40,861,342	Other Secs... 927,278
	Silver Coin... 512,841
	Amt. of Fid. Issue... 950,000,000
	Gold Coin & Bullion (at 168s. per oz. fine) 241,718
	950,241,718

BANKING DEPARTMENT

Props' Capital 14,553,000	Govt. Secs. 190,468,088
Reserves 3,367,318	Other Secs. 20,592,090
Public Depts. 9,506,604	Advances & Securities 4,742,053
Other Depts. 166,577,173	Securities 20,592,090
Other Assets 63,330,237	Notes... 40,861,342
	Gold & Silver Coin... 660,759
	257,324,332

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

COMPARATIVE ANALYSIS

	(£ millions)			
	1942	1943		
	Jan. 21	Jan. 6	Jan. 13	Jan. 20
<i>Issue Dept.:</i>				
Notes in circulation	740.7	920.0	914.1	909.4
Notes in banking department	39.6	30.2	36.1	40.9
Government debt and securities*	777.3	948.4	948.4	948.6
Other securities	1.7	0.8	0.8	0.9
Silver Coin	0.0	0.8	0.8	0.5
Gold, valued at s. per fine oz.	0.2	0.2	0.2	0.2
	168.00	168.00	168.00	168.00
<i>Deposits:</i>				
Public	15.0	7.3	9.7	9.5
Bankers	126.1	157.6	146.2	166.6
Others	53.7	82.5	66.6	63.3
Total	194.8	247.4	222.5	239.4
<i>Banking Dept. Secs.:</i>				
Government	142.2	107.4	171.1	190.5
Discounts, etc.	6.3	16.7	11.1	4.7
Other	24.4	20.4	21.7	20.6
Total	172.9	234.5	203.9	215.8
Banking department res.	179.9	30.8	36.7	41.5
	0.4	0.4	0.4	0.4
"Proportion"	20.4	12.4	16.4	17.3

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week ended	Aggregate from Jan. 1 to
	Jan. 17, 1942	Jan. 17, 1942
Working days:	6	14
Birmingham:	2,607	8,349
Bradford:	2,115	5,353
Bristol:	2,078	5,200
Hull:	828	2,179
Leeds:	1,300	3,406
Leicester:	1,024	2,651
Liverpool:	5,042	11,816
Manchester:	12,914	33,013
Newcastle:	1,289	3,843
Nottingham:	481	1,551
Sheffield:	929	2,803
Southampton:	102	250
12 Towns:	30,709	80,414
Dublin:	7,583	16,940

* Jan. 10, 1942, and Jan. 9, 1943.

REICHSBANK Million reichsmarks

	Dec. 1941	Nov. 1942	Dec. 1942	Dec. 1942
Assets:				
Gold and foreign currencies:	77	77	77	76
Bills and cheques:	21,656	25,449	25,627	29,283
Reichsbank notes:	137	269	325	243
Advances:	32	15	30	25
Securities: for note cover:	107	71	84	87
Other assets:	2,085	1,740	1,825	1,306
Liabilities:				
Notes in circulation:	19,325	23,052	23,297	24,375
Daily maturing liabilities:	3,649	3,241	3,338	5,232
Other liabilities:	672	782	762	788

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE—Million \$'s

	Jan. 1942	Dec. 1942	Jan. 1943	Jan. 1943
12 U.S. BANKS:				
Resources:				
Gold certifi. on hand and	20,488	20,525	20,511	20,510
due from Treasury:	8,849	20,887	20,904	29,046
Total reserves:	338	334	360	404
Total cash reserves:	2,254	5,989	6,032	5,975
Total U.S. Govt. sec.:	2,268	6,008	6,049	5,909
Total bills and sec.:	24,440	28,769	28,599	28,541
Total resources:	8,171	12,188	12,177	12,109
Liabilities:				
Excess int. bank res.:	3,560	1,560	2,450	2,150
Mr. bank res. dep.:	12,992	12,788	13,464	13,279
Govt. deposits:	419	8,411	274	329
Total deposits:	14,805	14,915	14,909	14,916
Total liabilities:	24,440	28,769	28,601	28,541
Reserve ratio:	90.7%	77.1%	77.2%	77.5%

	Jan. 1942	Dec. 1942	Jan. 1943	Jan. 1943
Monetary gold stock:	22,740	22,726	22,712	22,712
Treasury & bank currency:	3,252	3,628	3,660	3,697
Liabilities:				
Money in circulation:	11,062	15,407	15,293	15,322
Treasury cash and dep.:	2,643	3,005	2,465	2,519

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

	Nov. 1941	Oct. 1942	Nov. 1942	Nov. 1942
Assets:				
Gold and silver:	14.25	30.20	28.77	28.91
Advances to State:	22.93	26.96	26.23	26.70
Investments:	3.84	4.15	4.46	4.46
Liabilities:				
Bank notes:	22.28	27.29	27.69	27.98
Deposits:	9.04	10.52	7.69	7.69
Banks and others:	9.27	24.01	20.52	24.10
Reserve to fight liab.:	35.5%	50.0%	48.6%	48.3%

RESERVE BANK OF INDIA Million rupees

	Jan. 1942	Dec. 1942	Jan. 1943	Jan. 1943
Assets:				
Gold coin & bullion:	444	444	444	444
Rupee coin:	325	164	113	123
Balances abroad:	453	766	710	666
Sterling securities:	2,406	5,228	4,648	4,128
Govt. rtp. sec.:	419	1,224	1,224	1,944
Investments:	119	60	60	60
Liabilities:				
Notes in circ.:	5,276	5,632	5,704	5,864
Deposits:	216	265	268	229
Govt. rtp. sec.:	169	265	268	229
Banks:	558	599	487	475
Reserve ratio:	79.4%	75.7%	76.7%	77.3%

BANK OF CANADA Million Can. \$

	Dec. 1941	Nov. 1942	Dec. 1942	Dec. 1942
Assets:				
Reserve: Gold:	165.0	0.5	0.5	0.5
Other:	609.9	989.7	984.9	992.1
Liabilities:				
Note circulation:	482.4	665.4	669.8	680.4
Deposits:	52.5	26.0	30.6	37.9
Chartered banks:	223.6	265.7	255.9	250.1

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

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 reconstructions.													
Prices, Year 1942		Prices, Year 1943		Name of Security	Price, Jan. 12, 1943	Yield, Jan. 19, 1943	Prices, Year 1943		Last two Dividends	Name of Security	Price, Jan. 12, 1943	Price, Jan. 19, 1943	Yield, Jan. 19, 1943
High	Low	High	Low				High	Low					
British Funds													
83 1/2	81	83 1/2	82 1/2	Consols 2 1/2% (after 1957)	82 1/2	83	50/101	48/3	% b	4 a	49/10	49/9	4 8 6
113 1/2	109 1/2	111 1/2	110 1/2	Consols 2 1/2% (after 1957)	111 1/2	111 1/2	51/44	49/3	11 1/2 b	13 1/2 a	50/6	51/1	5 17 9
100 1/2	99 1/2	100 1/2	100 1/2	Consols 2 1/2% 1943-45	100 1/2	100 1/2	25/25	23/6	5 b	3 1/2 a	29/6	30/1	3 6 9 1/2
101 1/2	99 1/2	101 1/2	101 1/2	Consols 2 1/2% 1944-49	101 1/2	101 1/2	22/101	21/7 1/2	7 c	Nil c	24/6	24/9	6 9 3
103 1/2	101 1/2	103 1/2	103 1/2	Consols 2 1/2% 1948-53	103 1/2	103 1/2	32/3	30/1	6 b	4 a	22/6	22/6	7 2 3
108 1/2	106 1/2	107 1/2	106 1/2	Consols 3 1/2% (after 1961)	107 1/2	107 1/2	35/5	30/6	12 1/2 a	14 b	31/8	32/1	6 5 0
105 1/2	103 1/2	104 1/2	103 1/2	Consols 5 1/2% 1944-64	104 1/2	104 1/2	56/5	50/101	12 1/2 c	12 1/2 c	49/6	50/1	6 27 3
96 1/2	93 1/2	97 1/2	96 1/2	Funding 2 1/2% 1956-61	97 1/2	97 1/2	34/6	34/6	4 a	6 b	52/3	54/6	4 11 0 1/2
101 1/2	98 1/2	101 1/2	100 1/2	Funding 2 1/2% 1952-57	100 1/2	100 1/2	2 13 0	9 1/2	8 c	Nil c	35/3	35/9	5 31 9
102 1/2	99 1/2	102 1/2	101 1/2	Funding 3 1/2% 1959-69	102 1/2	102 1/2	2 18 0	9 1/2	8 c	Nil c	9/1	9/1	3 14 0
116 1/2	114 1/2	114 1/2	113 1/2	Funding 4 1/2% 1960-90	114 1/2	114 1/2	3 7 11	26/9	26/2	5 1/2 b	26/6	26/6	6 0 0
102 1/2	99 1/2	102 1/2	102 1/2	Nat. Def. 2 1/2% 1944-48	102 1/2	102 1/2	1 26 2 1/2	20/1 1/2	17/10 1/2	6 b	18/9	20/1	5 0 0
103 1/2	100 1/2	102 1/2	101 1/2	Nat. Def. 3 1/2% 1954-58	102 1/2	102 1/2	2 15 2	16/7 1/2	14/3	Nil c	16/10 1/2	16/10 1/2	Nil
101 1/2	99 1/2	101 1/2	101 1/2	War Bonds 2 1/2% 1945-47	101 1/2	101 1/2	1 19 8	17/7 1/2	14/3	Nil c	42/24	43/3	Nil
101 1/2	99 1/2	101 1/2	100 1/2	War Bonds 2 1/2% 1946-48	101 1/2	101 1/2	2 1 3	17/7 1/2	14/3	5 b	47/1	48/6	3 1 9
101 1/2	100 1/2	101 1/2	100 1/2	Savings Bds. 3 1/2% 1955-65	100 1/2	100 1/2	2 10 1/2	14/4	45/1	5 b	16/6	16/7 1/2	3 12 0
115 1/2	112 1/2	115 1/2	114 1/2	Victory Bonds 4 1/2%	114 1/2	115 1/2	2 15 6	17/4 1/2	15/3	Nil c	32/6	32/9	4 11 9
103 1/2	100 1/2	103 1/2	102 1/2	War Loan 3 1/2% 1955-59	102 1/2	102 1/2	3 6 4 1/2	34/1	32/1	7 1/2 c	77/3	77/9	3 17 3
106 1/2	103 1/2	105 1/2	104 1/2	Redemption 3 1/2% 1956-96	105 1/2	105 1/2	3 1 3	26/7 1/2	24/9	7 1/2 a	26/1	26/1	16 6 6
97 1/2	95 1/2	98 1/2	97 1/2	Local Loans 3 1/2%	99 1/2	99 1/2	3 0 6	49/1	44/6	10 c	86/1	86/1	4 2 6
101 1/2	98 1/2	99 1/2	98 1/2	Austria 3 1/2% 1953-55	101 1/2	101 1/2	2 17 8	86/9	85/1	17 1/2 c	86/1	86/1	4 1 3
102 1/2	101 1/2	102 1/2	101 1/2	Australia 5 1/2% 1945-75	102 1/2	102 1/2	3 18 10	41/6	39/3	5 b	41/1	41/1	3 18 0
103 1/2	100 1/2	103 1/2	103 1/2	New Zealand 5 1/2% 1946	103 1/2	103 1/2	3 18 5	18/3	16/9	Nil c	33/3	33/3	4 4 9
111 1/2	106 1/2	110 1/2	110 1/2	Nigeria 5 1/2% 1950-60	110 1/2	110 1/2	3 7 5	34/1	32/1	4 1/2 b	40/1	40/6	3 19 9
108 1/2	105 1/2	108 1/2	107 1/2	Corporation Stocks	107 1/2	108 1/2	2 7 9	41/6	41/1	3 a	41/1	41/1	3 18 0
97 1/2	93 1/2	98 1/2	96 1/2	Birmingham 5 1/2% 1946-56	98 1/2	98 1/2	3 1 3	21/10 1/2	20/3	10 c	21/1	21/1	2 7 9
100 1/2	98 1/2	100 1/2	99 1/2	L.C.C. 5 1/2% 1954-64	100 1/2	100 1/2	3 0 8	23/1	22/10 1/2	7 1/2 c	24/6	25/3	5 18 9
106 1/2	104 1/2	105 1/2	105 1/2	Liverpool 5 1/2% 1954-64	105 1/2	105 1/2	3 2 0	13/1	12/1	6 b	13/4	13/4	7 14 0 1/2
102 1/2	97 1/2	102 1/2	99 1/2	Middlesex 5 1/2% 1957-62	100 1/2	100 1/2	4 10 0	17/8	17/1	7 1/2 c	17/10 1/2	17/10 1/2	4 11 0
64 1/2	63 1/2	65 1/2	63 1/2	Foreign Governments	64 1/2	64 1/2	4 8 3 1/2	32/1	31/6	7 1/2 c	31/6	31/6	3 16 0
35 1/2	34 1/2	34 1/2	32 1/2	Argentine 4 1/2% Stg. Bds.	34 1/2	34 1/2	3 19 3	18/3	17/9	15 a	18/1	17/9	9 3 0
103 1/2	76 1/2	102 1/2	100 1/2	Brazil 5 1/2% Funding 1914	102 1/2	102 1/2	3 7 0	72/6	71/6	2 1/2 a	71/3	72/6	4 8 0
92 1/2	70 1/2	89 1/2	88 1/2	Chile 6 1/2% (1929)	89 1/2	89 1/2	6 19 2	38/9	37/6	17 1/2 b	38/3	38/3	2 5 6 1/2
61 1/2	33 1/2	58 1/2	56 1/2	Egypt United 4 1/2%	57 1/2	57 1/2	6 19 2	110/1	105/1	20 c	107/6	108/9	3 13 9
Shipping													
22/3	20/7 1/2	22/3	20/7 1/2	Cunard Ord. £1	22/3	22/3	20/7 1/2	22/3	20/7 1/2	Nil c	22/1	21/9	Nil
24/7 1/2	24/1 1/2	24/7 1/2	24/1 1/2	Furness, Withy Ord. £1	24/7 1/2	24/7 1/2	24/1 1/2	24/7 1/2	24/1 1/2	6 c	24/3	24/3	4 19 0
32/6	31/6	32/6	31/6	P. & O. Def. £1	32/6	32/6	31/6	32/6	31/6	2 a	32/6	32/6	4 19 0
24/6	23/6	24/6	23/6	Royal Mail Lines Ord. £1	24/6	24/6	23/6	24/6	23/6	5 c	24/1	24/1	5 0 0
19/1	18/6	19/1	18/6	Union Castle Ord. £1	19/1	19/1	18/6	19/1	18/6	5 c	19/1	19/1	5 5 0
Tea and Rubber													
8/9	8/6	8/9	8/6	Allied Sumatra Rbr. £1	8/9	8/9	8/6	8/9	8/6	4 c	8/6	8/6	Nil
15/3	14/1	15/3	14/1	Anglo-Dutch of Java £1	15/3	15/3	14/1	15/3	14/1	2 1/2 b	14/9	14/9	2 14 0
35/3	35/3	35/3	35/3	Jokai (Assam) Tea £1	35/3	35/3	35/3	35/3	35/3	2 1/2 b	36/6	36/6	5 9 3 1/2
1/10 1/2	1/8 1/2	1/10 1/2	1/8 1/2	London Asiatic Rbr. 2 1/2	1/10 1/2	1/10 1/2	1/8 1/2	1/10 1/2	1/8 1/2	6 b	1/9	1/9	11 1 0
18/9	17/6	18/9	17/6	Rubber Plms. Trust £1	18/9	18/9	17/6	18/9	17/6	10 c	18/6	18/6	3 4 9
1/7 1/2	1/5 1/2	1/7 1/2	1/5 1/2	United Serdang Rbr. 2 1/2	1/7 1/2	1/7 1/2	1/5 1/2	1/7 1/2	1/5 1/2	9 c	1/7	1/7	Nil
Oil													
81/3	90/-	81/3	90/-	Anglo-Iranian Ord. £1	81/3	81/3	90/-	81/3	90/-	7 1/2 c	90/-	90/-	1 13 3
57/6	59/4 1/2	57/6	59/4 1/2	Burmah Oil Ord. £1	57/6	57/6	59/4 1/2	57/6	59/4 1/2	7 1/2 b	57/6	59/4 1/2	3 7 6
65/4	66/3	65/4	66/3	Shell Transport Ord. £1	65/4	65/4	66/3	65/4	66/3	7 1/2 b	65/4	66/3	1 10 0 1/2
75/-	74/4 1/2	75/-	74/4 1/2	Trinidad Leaseholds £1	75/-	75/-	74/4 1/2	75/-	74/4 1/2	10 b	75/-	74/4 1/2	4 1 0
Miscellaneous													
57/6	60/-	57/6	60/-	Assoc. P. Cement Ord. £1	57/6	57/6	60/-	57/6	60/-	10 c	57/6	60/-	3 0 0
55/6	56/1	55/6	56/1	Barker (John) Ord. £1	55/6	55/6	56/1	55/6	56/1	24 c	55/6	56/1	3 11 9
39/1	40/-	39/1	40/-	Boots Pure Drug Ord. £1	39/1	39/1	40/-	39/1	40/-	24 c	39/1	40/-	3 0 0
50/3	50/3	50/3	50/3	British Aluminium £1	50/3	50/3	50/3	50/3	50/3	7 b	50/3	50/3	4 0 0
100/-	100/-	100/-	100/-	Brit. Amer. Tobacco £1	100/-	100/-	100/-	100/-	100/-	11 1/2 c	100/-	100/-	2 0 8 1/2
72/6	74/-	72/6	74/-	British Oxygen Ord. £1	72/6	72/6	74/-	72/6	74/-	10 c	72/6	74/-	3 15 9
77 1/2	78	77 1/2	78	Cable & Wires Hdg. Stk.	77 1/2	77 1/2	78	77 1/2	78	15 c	77 1/2	78	5 2 0
117/6	117/6	117/6	117/6	Carreras 'A' Ord. £1	117/6	117/6	117/6	117/6	117/6	12 1/2 c	117/6	117/6	4 13 9
32/9	35/9	32/9	35/9	Dunlop Rubber Ord. £1	32/9	32/9	35/9	32/9	35/9	6 c	32/9	35/9	4 9 3
22/1	22/1	22/1	22/1	Elec. & Mus. Ind. 10/-	22/1	22/1	22/1	22/1	22/1	12 1/2 b	22/1	22/1	2 16 0
30/1	30/1	30/1	30/1	Gestetner (D.) 5/-	30/1	30/1	30/1	30/1	30/1	25 c	30/1	30/1	3 0 0
65/-	65/-	65/-	65/-	Harrisons & Cros. Def. £1	65/-	65/-	65/-	65/-	65/-	5 c	65/-	65/-	1 10 0
37/6	39/6	37/6	39/6	Imperial Chemical Ord. £1	37/6	37/6	39/6	37/6	39/6	7 1/2 b	37/6	39/6	4 0 0
7 1/2	7 1/2	7 1/2	7 1/2	Imperial Tobacco Ord. £1	7 1/2	7 1/2	7 1/2	7 1/2	7 1/2	22 1/2 c	7 1/2	7 1/2	2 7 0 1/2
44 1/2	44 1/2	44 1/2	44 1/2	International Nickel n.p.	44 1/2	44 1/2	44 1/2	44 1/2	44 1/2	10 c	44 1/2	44 1/2	4 7 9
34/6	34/6	34/6	34/6	Lon. & N. Unilever Ord. £1	34/6	34/6	34/6	34/6	34/6	10 c	34/6	34/6	2 18 0
53/9	55/-	53/9	55/-	London Brick Ord. £1	53/9	53/9	55/-	53/9	55/-	20 b	53/9	55/-	3 12 6
45/9	45/9	45/9	45/9	Mark's & Spencer 'A' 5/-	45/9	45/9	45/9	45/9	45/9	7 1/2 a	45/9	45/9	3 16 0
105/7 1/2	106/3	105/7 1/2	106/3	Murex £1 Ord.	105/7 1/2	105/7 1/2	106/3	105/7 1/2	106/3	24 a	105/7 1/2	106/3	3 16 0
32/6	32/6	32/6	32/6	Pinchin Johnson Ord. £1	32/6	32/6	32/6	32/6	32/6	12 1/2 b	32/6	32/6	2 13 3
67/6	67/6	67/6	67/6	Spillers Ord. £1	67/6	67/6	67/6	67/6	67/6	34 a	67/6	67/6	4 0 0
67/-	67/6	67/-	67/6	Tate and Lyle Ord. 10/-	67/-	67/-	67/6	67/-	67/6	10 c	67/-	67/6	4 0 0
31/3	32/1	31/3	32/1	Triplex Safety Glass 10/-	31/3	31/3	32/1	31/3	32/1	10 c	31/3	32/1	3 2 6
92/6	92/6	92/6	92/6	Tube Investments Ord. £1	92/6	92/6	92/6	92/6	92/6	10 a	92/6	92/6	4 6 6
73/3	75/-	73/3	75/-	Turner & Newall Ord. £1	73/3	73/3	75/-	73/3	75/-	38 b	73/3	75/-	3 6 6
29/6	29/6	29/6	29/6	United Molasses Ord. 6/8	29/6	29/6	29/6	29/6	29/6	11 1/2 a	29/6	29/6	5 12 6
57/6	58/6	57/6	58/6	Woolworth Ord. 5/-	57/6	57/6	58/6	57/6	58/6	20 a	57/6	58/6	4 14 0
Miscellaneous													
51/10 1/2	51/10 1/2	51/10 1/2	51/10 1/2	Asbanti Goldfields Prd. 4/-	51/10 1/2	51/10 1/2	51/10 1/2	51/10 1/2	51/10 1/2	80 c	51/10 1/2	51/10 1/2	6 3 0
5/3	5/6	5/3	5/6	Burma Corp. Ord. Rs. 9/-	5/3	5/3	5/6	5/3	5/6	6 c	5/3	5/6	4 15 9
40/7 1/2	41/10 1/2	40/7 1/2	41/10 1/2	Cons. Glids. of S. Afr. £1	40/7 1/2	40/7 1/2	41/10 1/2	40/7 1/2	41/10 1/2	10 c	40/7 1/2	41/10 1/2	8 0 0
11 1/2	12 1/2	11 1/2	12 1/2	De Beers (Def.) £1	11 1/2	11 1/2	12 1/2	11 1/2	12 1/2	20			

COMMODITY AND INDUSTRY NEWS

Closed Retailers' Register.—The Board of Trade is now prepared to accept applications for admission to the Register of Withdrawing Non-Food Retail Traders. It will be confined to traders who satisfy three conditions: those who (a) have closed a shop since the outbreak of war, (b) were in business continuously for 12 months before closing, or for a total period of two years in the five before closing, and (c) traded in goods or services covered by the location of Retail Businesses Order. Traders will not be eligible for inclusion by reason of the closing of part of their premises, nor in cases where a business has been sold as a going concern. The latter may be put on a supplementary list. Application for registration has been made simple, and sympathetic hearing is promised for persons who do not satisfy condition (b).

Cane Control.—Under the Control of Willow Rod and Willow Sticks (No. 2) Order issued by the Ministry of Supply, the manufacture of a large number of articles made of willow rods or sticks was prohibited from January 18th. They include baskets of all kinds and some miscellaneous articles.

Food Prosecutions.—During November, 1942, there were 2,627 prosecutions under the Food Control Orders, of which 2,448 were successful. Convictions were secured against 44 wholesalers, 584 retailers and 570 other offenders, representing a conviction percentage of 0.220 per wholesale licensee, and 0.097 per retail licensee. Out of the 2,448 successful cases, 141 were dismissed under the Probation of Offenders Act. Fines of £1 and under were inflicted in 953 cases, above £1 and up to £5 in 912 cases, above £5 and up to £10 in 213 cases, and fines above £10 and up to £20 in 62 cases. In 112 cases the fines exceeded £20 and in 55 cases sentences of imprisonment were imposed.

Hearth Furniture.—The manufacture and supply by manufacturers of any forms of hearth furniture other than those listed in Specification BS/BOT No. 16 issued by the British Standards Institution is prohibited as from February 1, 1943. The items listed include tongs, pokers, hearth shovels, trivets, fets and fireguards. Curbs are not included because they are covered by the utility furniture scheme. Manufacture and supply by manufacturers will be restricted to these items. Manufacturers may apply for licences to complete the manufacture of and to supply hearth furniture not included in the specification provided that their manufacture was begun before January 15, 1943.

Fuel Economy.—A Fuel Economy Committee, representative of owners and managing agents of London residential flats and office buildings where central heating and hot-water services are provided, has been formed to discuss fuel economy in respect of such property with the Ministry of Fuel and Power. The committee will act as a liaison body between the Ministry and owners, will advise owners on fuel economy, and the Ministry of any problems which arise. In Government offices coke is to be mixed with coal on open fires, and domestic consumers are also urged to do so by the Ministry of Fuel.

Sisal Prices.—On the basis of representations made by the Sisal Growers' Association, which also acted on behalf of the Kenya and Tanganyika Sisal Growers' Associations, the Ministry of Supply has agreed to an increase of £4 per ton in the basic price for the 1943 East African sisal crop, to meet higher costs of production. Last year's prices varied from £8 8s. 6d. a ton for flume tow waste to £19 10s. 2d. a ton for No. 1 grade. This year's prices range from £12 8s. 6d. to £23 10s. a ton.

Exports to Iceland.—The United States now holds general responsibility for meeting Icelandic requirements. From January 15th, all exports to Iceland from this country have been subject to licence. Certain classes of goods will continue to be supplied in limited quantities. Normal licences will not be granted, even where goods are in process of manufacture already on order, for any goods not appearing in the permitted list. The list includes books and periodicals, spare parts for British machinery, and other goods which can be supplied more easily from this country than from the United States.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES

	Mar. 31, 1937*	Aug. 30, 1939	Jan. 20, 1942	Dec. 29, 1942	Jan. 12, 1943
Cereals and Meat	93.0	66.9	105.9	108.0	108
Other Foods	70.4	61.1	99.1	104.4	105
Textiles	74.2	54.3	94.3	92.3	93
Minerals	113.2	95.4	130.7	137.2	135
Miscellaneous	87.0	77.6	114.8	123.8	124
Complete Index	87.2	70.3	108.8	112.7	113
1913 = 100	119.9	96.8	149.7	155.0	155

* Highest level reached during 1932-37 recovery.

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

	Daily Average Sales	1942	Sept.	Oct.	Nov.
(a) By Commodities					

Non-food Merchandise	+ 5.7	+ 26.0	+ 4.2	+ 2.1	+ 1.1
Piece-goods	+ 0.1	+ 29.9	+ 10.4	+ 5.9	+ 1.1
Women's Wear	+ 15.2	+ 15.0	+ 5.9	+ 1.1	+ 1.1
Men's and Boys' Wear	+ 0.2	+ 17.7	+ 2.0	+ 1.1	+ 1.1
Boots and Shoes	+ 10.4	+ 7.6	+ 13.9	+ 1.1	+ 1.1
Furnishing Departments	+ 14.4	+ 12.6	+ 13.2	+ 1.1	+ 1.1
Hardware	+ 5.8	+ 1.6	+ 1.9	+ 1.1	+ 1.1
Fancy Departments	+ 18.7	+ 19.8	+ 27.9	+ 1.1	+ 1.1
Sports and Travel	+ 5.7	+ 13.9	+ 10.4	+ 1.1	+ 1.1
Miscellaneous	+ 1.7	+ 14.0	+ 3.5	+ 1.1	+ 1.1
Food and Perishables	+ 5.1	+ 6.4	+ 5.3	+ 1.1	+ 1.1
Total	+ 2.1	+ 9.2	+ 4.1		

(b) Districts					
Scotland	+ 1.8	+ 8.1	+ 5.2	+ 1.1	+ 1.1
North-East	+ 1.6	+ 7.3	+ 3.1	+ 1.1	+ 1.1
North-West	+ 1.1	+ 9.6	+ 2.5	+ 1.1	+ 1.1
Midland and S. Wales	+ 0.2	+ 4.8	+ 4.5	+ 1.1	+ 1.1
South England	+ 2.9	+ 5.9	+ 0.8	+ 1.1	+ 1.1
Central and West-End	+ 17.1	+ 28.7	+ 17.5	+ 1.1	+ 1.1
London	+ 5.5	+ 14.8	+ 8.8	+ 1.1	+ 1.1
Suburban London	+ 6.4	+ 5.8	+ 1.1	+ 1.1	+ 1.1
Unallocated					

Source: Board of Trade Journal.

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

	Jan. 14, 1943	Jan. 15, 1943	Jan. 18, 1943	Jan. 19, 1943	Jan. 20, 1943
Crops	119.6	119.6	119.6	119.5	119.5
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	143.8	143.8	143.8	143.7	143.7

* Highest level reached during 1932-37 recovery.

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
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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET
New York Agency: 65, BROADWAY, NEW YORK CITY

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 March next, the BALANCES of the several accounts in the above-mentioned Stock will be STRUCK on the night of the 1st February and that on and after the 2nd February 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. 18th January, 1943.

AGGREGATE ASSETS at 31st March, 1942, £59,317,185

Established over 80 years

BANK of NEW ZEALAND

Incorporated with limited liability in New Zealand

Represented at over 200 points in New Zealand and at Melbourne, Victoria; Sydney, New South Wales; Suva, Fiji; Apia, Samoa.

LONDON OFFICE: 1, Queen Victoria St. E.C.A. John Forbes, Manager.

Head Office: WELLINGTON, N.Z. H.R.H. Chalmers, General Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER.

ANNUAL INCOME EXCEEDS - £13,000,000
ASSETS EXCEED - £77,000,000
CLAIMS PAID EXCEED - £140,000,000 (1941 Accounts)



THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5188

REGISTERED AS A NEWSPAPER

JANUARY 30, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONE SHILLING

Morocco Meeting - - - 133

Peril at Sea - - - 134

The Rent Dilemma - - - 136

Ten Nazi Years - - - 137

Food Subsidies in Canada - 145

The Urals - - - 148

NOTES OF THE WEEK - - - 138

The End of an Empire; Red Light in Tunisia; Russian Prospects; Inside the Fortress; To What End?; Rising Expenditure; The Foreign Service; Food for India; An Unnecessary Incident; Home Front; Manpower in War Industry; War Pensions; Axis Lend-Lease?; Rara Avis; Trade Unions and Technicians; The LCC on the Public Schools; The Press and News.

AMERICAN SURVEY - - - 143

Two-Way Traffic; The Case for Expediency; Back to the Farm; Pay-as-You-Go.

THE WORLD OVERSEAS - - - 145

Food Subsidies in Canada; India's Food Position; Inflation in Palestine; Production in the Congo; Russia at War.

FINANCE AND BANKING - - - 150

Wider Credit Base; Bank Credit in 1942; Unifying American Sterling Accounts; Currency in Tripolitania; Anglo-International Bank Capital.

INVESTMENT - - - 151

Break-up Values; Monopoly by Patent; Protecting the Shareholder; Whitehall Electric Scheme; Foreign Investment and the Future; Tobacco Earnings; Further Woolworth Setback; Bowater-Lloyd Results; Distribution Policy; Shipping and the War; Dalgery Profits.

INDUSTRY AND TRADE - - - 155

Water Power in Scotland; Supplies of Household Goods; Road Haulage Scheme; The Coal Bonus Scheme; Miners' Welfare; Sunday Work in Factories; Cotton Wages; Soft Drink Standards.

COMPANY MEETINGS - - - 157

RECORDS AND STATISTICS - - - 160

Morocco Meeting

SIX times the Prime Minister has gone out to meet an Ally. In June, 1940, he attended the death-bed of France. In August, 1941, he met the President of the neutral United States to talk of the future; and the result, in general terms which have still to be defined, was the Atlantic Charter. In December, 1941, he again met Mr Roosevelt, this time in charge of a state of war, to work out the machinery of Anglo-American co-operation. In June last year, he went to Washington to plan the Allied offensives in Africa. In August, he flew to Moscow to explain to Stalin in person the intentions, and the limitations, of the plans he and Mr Roosevelt had made. Finally, a fortnight ago, he went to Casablanca to meet the President once more—with the freeing of Europe and the resurrection of France in view.

It would be idle to deny that, for all its dramatic quality, the latest meeting has led to a good deal of disappointment. So much was expected of it; so little that is specific has been announced. Largely, of course, disappointment was inevitable. Whatever great decisions were made, or great moves decided, they could not be made public. But there are more particular reasons for disappointment. On every side, it was confidently believed that the political imbroglio in North Africa, the confusion which is a serious and growing liability to the Allied and French cause, was to be ended; that a new start was to

be made and a settlement reached which would register, in its principles and practical effectiveness, the determination of the United Nations, including France, to win both the war and the peace. In fact, no settlement has yet been reached—as far as can be judged at this early stage (which is a qualification that must be made). It is a step forward that General Giraud and General de Gaulle have met; and it may well be that their meeting will result in some military accord between their forces, which are now fighting in almost the same sectors. It may be, too, that the problems of supply and transport in this theatre, upon the solution of which success in Tunisia depends, have been brought nearer to a solution by the deliberations of the experts whom the President and Prime Minister brought with them. But the political problem, it appears, remains insoluble. The ice has been broken; that seems all.

The decisions taken at Casablanca in the wider field of strategy could not, in any case, have been announced; but it is likely that they concerned vital details rather than broad outlines. The outlines of strategy in 1943 must have been laid down, and technical preparations made, many months ago. At Casablanca, it is true, "the entire field of war was surveyed" by the theatre throughout the world, and all resources were marshalled for the more intense prosecution of the war by sea, land

and air." The chiefs of staff and their advisers spent ten days in intensive work. But it seems likely that their task was to fill in the immediate requirements of offensives already planned, in the light of the present state of the fighting.

The general aim of the discussions, the "prime object," was "to draw as much of the weight as possible off the Russian armies by engaging the enemy as heavily as possible at the best selected points"; and the meeting was doubtless dominated by Russia's successes. Those people who expected this meeting to produce a Supreme War Council, of the United States, Britain, Russia and China, were probably doomed to disappointment beforehand, because it is not possible for nations fighting vast battles on fronts thousands of miles apart to work out in common their operations from day to day or even from month to month. All they can do, what indeed they must do, until their several operations merge into one campaign, is to synchronise their operations in the larger framework of an agreed strategy. The renewed warnings of Mr Curtin about the perils of starving the front against Japan underline the difficulties of dovetailing resources which, though huge, are strictly limited. The task at Casablanca was presumably to make sure that the operations prepared and set in train by Britain and the United States will fit in, as they were intended to fit in, with Russia's blows against the common enemy. What is needed is not a new strategy, but ways and means of bringing the strategy already decided more swiftly to a successful conclusion. The object is to stretch the enemy's resources to the utmost, to bring him to battle and to destroy him; and the main obstacles, immediately, are the Tunisian bridgehead and the U-boat campaign. If the Casablanca meeting leads to the reduction of these barriers, it will more than have done its work.

Stalin was not present, though he was invited and, like Chiang Kai-shek, was kept informed. Stalin's contribution to Allied strategy in 1943 is not faltering, and

he has no need to revise or modify his plans. As Mr Churchill has said, he is a man of no illusions. His interest in the discussions at Casablanca is not in their details, but in their successful outcome; he will judge them by their results. Only the chance of a major change in the strategic intentions of his Allies could have brought him from his crucial command of all the Russian fronts to spend ten days in discussions. Many people will argue that a great chance has been lost to co-ordinate in a single programme the political warfare of the United Nations; that the reoccupation of Europe, wherever it may start, will be bogged and frustrated if Britain, the United States and Russia cannot find an agreed formula for their political procedure in the liberated countries. This argument is wholly sound. But there is no sign that Stalin is personally concerned to seek such a formula at this stage. His concerns are two: to expel the Germans from Russia; and to see a Second Front in Europe. The Casablanca meeting to him was presumably a means of speeding the Second Front, which is his Allies' responsibility, not his.

Each meeting between Mr Churchill and Mr Roosevelt since the United States entered the war has marked a notable advance on the road. Almost certainly, the next operations of the Allies will be more efficient and more effective as a result of this one. The thunder which once rolled out from the Brenner when the two dictators met has now been stolen by the two democratic leaders. Mere meetings, of course, do not solve problems. The issues of political warfare were, it seems, not on the agenda; and Generals Giraud and de Gaulle have apparently been left to hoe their own row, which still seems likely to be a painful and possibly protracted process. Mr Roosevelt called the conference "a meeting of the minds with regard to military operations"; and it is in the military sphere that its results are to be looked for. But there is still room, and urgent need, for another meeting that will give political issues the place that they will undoubtedly occupy in the final stages of the fighting.

Peril at Sea

THE war can be lost at sea. In 1940, the Germans tried to occupy Britain, the base of resistance, and failed. In 1941, they tried to occupy the vital centres of Russia and failed again. In 1942, they tried to isolate the Soviets and failed once more, disastrously. The attempt to isolate Britain has gone on continuously and it has not yet failed; and the only way in which the chance of victory can be missed by the Allies is by delay or incompetence in breaking the U-boat threat.

The layman knows no facts or figures about shipping losses. But he can sense the present danger. He knows that Allied strength is measured by its disposition among the actual theatres of war. He knows that the index of Allied battle-power is the capacity to dispatch and deliver more even than the capacity to produce. He knows that the Allies could possess all the ships in the world and still be unable to use them effectively.

The outlines of the present position are well known. More ships are being built, it is true, than are being sunk. But more U-boats, too, are being constructed than are being destroyed; and sinkings of Allied vessels still go on at a grievous rate—with even more grievous losses

of men and cargoes. An American official has lately spoken of the loss of nearly three-quarters of a million gross tons in a single month; and a Canadian official has expressed the view that, in spite of bombs and depth charges, a net addition is being made to the German submarine fleet of ten vessels a month. The Battle of the Atlantic has gone in cycles. The first German attack in 1939 was easily beaten. The second in 1940-41, after the coast of Western Europe came into German hands, was longer and more deadly; but it, too, was beaten. The third began with the entry of Japan into the war. It reached perilous dimensions in the spring and early summer of last year. For months, sinkings outran replacements by a considerable margin. By the late summer, more ships were being built than were being sunk; but this was due to the increased output of American shipyards rather than to the placing of an effective curb on the U-boats. More U-boats than ever before were at sea. They were bigger and better vessels; and, hunting in packs, with the aid of radio to find their objectives, they were striking at convoys again as well as at lone vessels. In November, the Allies opened their Mediterranean offensive. Great expeditions and vast stores had to be ferried across ocean routes. There were not only more attackers; there were more targets as well. And, as the military calls upon shipping to Russia and Africa grew, the number of escort vessels, though much greater than when the war began, became correspondingly insufficient. Month by month, shipping losses have remained dangerously high.

The methods used to cope with the submarine are broadly the same as those which were forced upon the Allies—and their Admiralties—in the last war. They are three, two negative and one more positive: the maximum output of ships; the utmost economy in the use of

shipping space for civilian needs (actually, in spite of the rigid conservation of shipping space that has been practised, it is possible to argue that a faulty import strategy has in fact wasted a great deal of shipping); and the passage of ships in protected convoys. The introduction of the convoy system in the last war saved the situation; and, even to-day, against improved methods of attack, convoys can still pass safely, provided their protection is sufficiently strong. But the protection required, at sea and in the air, is enormous—as recent reports of successful passages to North Africa, to Russia and across the Atlantic have shown. Can sufficient protection of the old style be provided to enable the United Nations to meet their needs and deploy their strength? Or are there new means which should be pressed forward with doubled vigour? New methods are, of course, being employed already. The remarkable work of Coastal Command and the aid given by ship-based aircraft have proved invaluable. Radio devices, now the special charge of Sir Stafford Cripps, are already in operation to detect submarines. The question is whether still more must not be done at once to frustrate the one successful offensive which Hitler is still waging.

All the layman can do is to recount the proposals which those more expert are making; and to urge that, wherever possible, longer and speedier steps should be taken. Because all else depends on shipping, the anti-U-boat campaign must have first priority in both production and personnel. Probably this has already been granted. The limiting factor is, of course, that, priority or no priority, the continuing needs of Africa and Russia from day to day must be met. Operations in the field are priorities in themselves. In equipment, it is plain what is needed to beat off the U-boats: more aircraft, ship-based or flying long-range from land, to cover every gap on the Atlantic and Russian routes; and more naval escorts to give every convoy an effective guard. These are not easily produced in a few months; and it is the few critical months ahead that may be decisive. Moreover, in the short time available, the coat can only be cut according to the cloth. The people who call for the building of great numbers of faster merchant ships to outpace the submarines tend to forget that these speedy vessels compete in their machinery requirements with the destroyers which are required even more. It is reasonable to ask for the maximum number of faster ships that can be built without impeding naval construction and without cutting down too much the carrying capacity of the vessels constructed; but it is not reasonable, or useful, to call for the immediate overhaul of all ship-building programmes on both sides of the Atlantic.

Perhaps, in the next months of crisis, it is a new attitude more than new equipment that is needed. The principle of convoy protection is defence. With the aid of radio detection and sufficient aircraft, it may be possible

to turn defence into attack far more than has yet been done. The accusation is made in some quarters that neither the Air Ministry nor the Admiralty has shown sufficient imagination in hunting the hunter with the technical resources already at their command; and it may indeed be that the technique which will save the day still needs to be forced upon the sea and air chiefs as the convoy system itself had to be forced upon the Admiralty twenty-five years ago. Yet there is need for caution in laying down the law. Resources are not unlimited. To call upon Bomber Command, for instance, to suspend its bombing of other targets in order to bomb only U-boat bases, factories and assembly points is similar to asking the Allied commands to suspend the operations in Africa in order to mount a great offensive against western Europe—which would indeed stop up and seal the U-boats' bolt-holes most effectively. All that can fairly be asked for is that the disposition of resources among all the theatres of war should be done in such a way as to allow the defeat of the U-boats, upon which victory everywhere else depends.

The task is immediate and urgent. No plans for building aircraft carriers to be launched in 1944, or for designing more suitable aircraft, to be put in production a year or two from now, have any relevance. Zero hour is this summer. In the main, the best must be done with the material and equipment already available or forthcoming. That is why the demand for a new attitude and a new outlook seems the most pertinent of all. There are signs of these. Chief among Mr Lyttelton's priorities for manpower in 1943 are ships, aircraft and anti-U-boat devices. The work of the Ministry of Aircraft Production in radiolocation is being translated into sea terms. There is an Anti-Submarine Warfare Committee of the Cabinet. The task now is to infuse the whole of this programme and organisation with a unique sense of urgency: perhaps to make the supervision of this work the whole-time duty of a Cabinet Minister, instead of being the spare time preoccupation of several; to select at every point in technical planning and operations experts and officers devoted to the single aim of opening the sea-ways of victory, and capable of working together as a single team devoted to a single end; and to discover much closer means of collaboration with the United States and Canada in day to day operations than have yet been found.

The pundits are at present undecided whether "March 1918," the last great German offensive, has happened this time or is still to come. One thing is probable: "April 1917," the peak of the U-boat menace, has not yet been passed. There will be an almost incredible flow of ships from Allied yards this year; and belts can, and should, be tightened in every Allied country to save shipping space. But these defensive measures alone will not avert disaster. The only sure means of winning this struggle is to bring the German under-water navy to battle and to destroy it.

FULL EMPLOYMENT

The recent articles and letters in *The Economist* on the ways and means of securing Full Employment after the war have been reprinted as a pamphlet. Copies are now available (price 6d.); and applications should be made to *The Economist*, Brettenham House, Lancaster Place, London, W.C.2. (Tel. Temple Bar 3316.)

War-time conditions have proved the advantages of appointing the "Royal Exchange" as Executor and Trustee under a Will. This ensures a permanent and expert administration and can be associated with a private co-trustee.



Apply for brochure

"TRUSTEE ADMINISTRATION"

to the Manager, Trustee Department, Royal Exchange Assurance

Head Office: ROYAL EXCHANGE, E.C.3

Incorporated
A.D. 1720

The Rent Dilemma

IN his attempt to translate into money terms the principle that the rates of benefit or pension provided by social insurance should ensure a standard minimum income adequate for subsistence, Sir William Beveridge was faced with the problem posed by wide variations in rent. Expenditure on rent varies very much, not only from one part of the country to another, but also between different families of equal size (and income) in the same area; and, unlike expenditure on clothing and other necessities, rent cannot be reduced during a temporary interruption in earnings.

The magnitude of regional variations in rent is illustrated by the accompanying table, taken from the

WEEKLY EXPENDITURE ON NECESSARIES, 1937-1938

	Persons per Household	Per Household in Shillings		Per Standard Industrial Household in Shillings		Per cent. of Mean for all Industrial Households	
		Food, Clothing, Fuel and Light	Rent	Food, Clothing, Fuel and Light	Rent	Food, Clothing, Fuel and Light	Rent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Industrial Households by Divisions*							
London..... (1456)	3.66	50.1	15.7	51.1	16.0	104.9	148.1
South-East..... (839)	3.67	45.0	11.2	45.9	11.4	94.2	105.5
South-West..... (776)	3.66	46.4	10.3	47.4	10.5	97.3	97.2
Midland..... (1276)	3.77	50.5	10.3	50.0	10.2	102.7	94.4
North-East..... (1035)	3.68	46.6	10.1	47.4	10.3	97.3	95.4
North-West..... (1281)	3.73	47.8	9.7	47.8	10.7	98.1	99.1
North..... (572)	3.69	46.0	10.2	46.6	9.3	95.7	86.1
Wales..... (434)	3.71	47.1	9.1	47.4	9.1	97.3	84.3
Scotland..... (980)	4.02	53.7	8.2	50.0	7.6	102.7	70.4
All Industrial Households... (8649)	3.73	48.7	10.8	48.7	10.8	100.0	100.0
Agricultural Households... (1313)	3.79	37.9	4.8	37.3	4.7	76.6	43.5

Source: Ministry of Labour Family Budget Enquiry.
* The figures in brackets give the number of households in each division for which budgets were obtained. The divisions are those of the Ministry of Labour and National Service.

Beveridge Report. Columns 2 and 3 show the average expenditure on rent, and on food, clothing, fuel and light, ascertained by the Ministry of Labour's inquiry into working-class family budgets in 1937-38. In columns 4 and 5 the figures have been adjusted to show expenditure for "standard" households, that is, for households of equal size. Percentage variations in expenditure from the average expenditure of all industrial households are shown in the last two columns. The disparity between average expenditure on rent is substantial between London, the rest of England and Scotland, and between industrial and agricultural households. Even more marked, however, are the variations in the rent paid by individual households within the same regions. According to the Report of the Unemployment Assistance Board for 1938, some 26.1 per cent of the applicants for unemployment assistance in London paid rent up to 9s. 11d. a week; 55.9 per cent paid from 10s. to 17s. 5d.; and 18.0 per cent paid 17s. 6d. and more. The corresponding figures for England and Wales are 66.6, 29.7 and 3.7 per cent, and for Scotland, 92.8, 6.9 and 0.3 per cent.

The existence of these variations is hardly surprising. To a point, they obviously reflect differences in incomes and habits, in the type and amenities of dwellings, in rates, ground rent, and so on. But they also reflect differences in rent for the same or similar accommodation. In his report Sir William Beveridge examined various suggestions for recognising these differences in the payment of benefit. One proposal is that benefit should be allowed to vary with rent. But this is not compatible with the principle of equal benefit for equal contributions; it would discriminate in favour of families who have deliberately chosen a relatively high standard of housing; and it might encourage landlords

to raise their rents. A variation of this suggestion is to provide benefit on the basis of a "standard" rent of, say, 8s. a week, but to grant an additional allowance to families paying more, up to a maximum rent of 16s. a week. Another variation is the proposal to adjust benefit to rent, but only in respect of unemployment and disability, leaving retirement pensions uniform; this suggestion is made on the ground that pensioners have time to adjust themselves to a lower standard of housing if they have no private savings, while persons temporarily out of work cannot normally be expected to foresee the interruption in earnings or to move to cheaper quarters while it lasts. But while these two modifications of the suggestion to allow benefits to vary with rents actually paid, and especially the second, are less open to objection than the original version, Sir William Beveridge reached the conclusion—and it is hard to deny—that difficulties of both principle and practice are sufficient to justify their rejection.

A second proposal is for regional and occupational discrimination, or both, between contributions as well as benefits, on the ground that a rate of benefit adequate for needs where rents are high will be more than adequate for regions of low rent, and will involve contributions which may appear excessive in relation to earnings. If contributions and benefit payments were based on average London rents, for example, they would both be high in relation to the needs of other towns and, especially, in relation to agricultural households. This suggestion, in Sir William's view, deserves further consideration, though it would introduce complications; and, if the aim were to secure a perfect system of equivalents between regions and occupations, it would probably prove impracticable. In the end, Sir William suggested that in determining standard rates of unemployment and disability benefit, rents at prewar levels might be taken at 10s. a week for a household and at 6s. 6d. for a solitary individual—that is, broadly, the average prewar expenditure on rent of industrial households.

To the two proposals examined by Sir William might be added a third, whereby the state would acquire the existing privately-owned stock of working-class dwellings. This proposal offers a number of advantages. Thus, it would be possible to secure greater equality of rents for similar accommodation, not by raising low ones to the highest level, but by the reverse process; to grant temporary abatement during periods of unemployment or disability, when rents are above those allowed in benefit payments; and, if desirable, to encourage movements of population by the offer of low rents. In so far as special concessions of this kind would be met by subsidy, the cost would fall upon the community as a whole. But this proposal, for all its merits, has obvious drawbacks; and, at this stage, it, too, is probably impracticable.

Sir William recognises that he can only offer palliatives rather than a solution; and he states the basic problem clearly:

The extreme variation of rents, between regions and in the same region, for similar accommodation is evidence of failure to distribute industry and population and of failure to provide housing according to needs. No scale of social insurance benefits free from objection can be framed while the failure continues.

Here is the key to a solution of the problem—the need for a national housing policy after the war. Its first aim must be to ensure adequate and suitable accommodation for the poorer section of the community. There is need for an all-round and uniform improvement in standards; for the provision of additional accommodation in the areas where it is most urgently required; and for the construction of dwellings which take account of the size distribution of families in individual areas; and for houses to be let as well as for sale. Apart from public

works and repairs, this improvement in working-class housing should be made a first charge upon the building industry. The middle-classes were adequately provided with new houses during the interwar period; except for limited local shortages, their additional needs are now less urgent. Although the annual percentage addition to the total stock of dwellings in this country may necessarily be small—the total stock numbered 13 millions before the war—concentration upon the specific task of satisfying the needs of the poorer families would soon remove the existing shortage in this category. Some 500,000 small dwellings a year could probably be built.

Secondly, the dwellings to be constructed should not only be adequate in number, varied in type and size, and of good quality, but they must be within the reach of the class of families for whom they are designed. Quality combined with cheapness offers the only solution to the Rent Dilemma on which the Beveridge plan for uniform benefits breaks down. Simplicity without a stereotyped uniformity must be the aim; but in the case of certain accessories and fittings, complete standardisation might profit the pocket without hurting the eye. Houses and fittings offer an excellent opportunity for the application of the utility principle discovered in war-time. Private builders would carry out the work on a profit basis, subject to maximum prices; but the Government, in conjunction with experts, would control specifications, and examine costs.

Ten Nazi Years

ON January 30, 1933, Adolf Hitler, the leader of a mass party which had already come to constitute an *imperium in imperio* within the democratic German Republic, became Chancellor in a Coalition Cabinet. The nigger in the woodpile was set on the way to become a great nation's Führer. Like Franklin Roosevelt, who also took office almost a decade ago, Hitler has lasted much longer than most people expected. But the omens, on this January 30 ten years later, suggest that the elected President may outlast the "permanent" dictator. The overture to this year's anniversary speech by the Führer has consisted of the frankest warnings to the German people of the very grave crisis in their fortunes which the relentless Russian advance has brought on.

What reserves does the Nazi regime possess to sustain the gathering menace of defeat? For ten years, the Nazi state has steadily grown more and more totalitarian, more and more centrally controlled, more and more regimented, more and more servile. Now, when it would seem that the limit of plans and orders and personal abnegation had been reached, a further surrender to the state is being called for. Goebbels has announced in *Das Reich* that every man between 16 and 65 and every woman between 17 and 45 will now be compelled by law to contribute to the war effort. At the same time, a new broadcaster outlined new enactments which will place civilians under the drastic military law of the *Wehrmacht*. From now on, the civilian refusing to work will be treated as a deserter. Total war, the German people are told, is only now to start—and they thought they had been fighting totally for three and a half years. For a decade, the reins and the belt have both been continuously tightened. Now the German citizen discovers that the greatest tightening of all is called for, in terms of life, limb and endless toil. And what for? Simply, after ten years of sacrifice, to avert disaster. When the Nazis first reeled from the resistance of the Russians, there were reserves of manpower and economic capacity, if not in Germany itself, in German-controlled Europe. Now, at the beginning of its eleventh year, the Nazi regime, with its resources dwindling and its assets wasted, is faced only with the prospect of a grim defence against a combination of stronger powers, growing still stronger. Hitler's Germany has weathered all its storms since 1933,

cheapness, however, is not merely a matter of low building and manufacturing costs. It is also a function of finance, of the rate of interest. One and a half per cent on a £350 dwelling is equivalent to £5 5s. od. a year, or 2s. a week on the rent or hire-purchase instalment. If the rate of interest is to be reduced to the lowest possible level, central and local government will have to provide the funds. A large proportion of the new houses will have to be built to let; and local authorities have experience in this field. In the past the building societies have catered mainly, though not exclusively, for the demands of the middle and higher artisan classes and have financed chiefly houses for sale. Their machinery must be available to the community to assist in carrying out the postwar building programme financed at a low rate of interest.

Variations in working-class rents for similar accommodation in different parts of the country can hardly be removed altogether. Nevertheless, it should be possible, by means of a bold and imaginative housing policy, to cut off the extremes, and to ensure, in all areas, dwellings, adequate in number, type and in standard, within the reach of the poorest and of those in receipt of benefit under any social insurance scheme. On their return from the war the soldiers want decent homes in decent surroundings at prices they can afford, not expensively advertised fancy cottages in fancy gardens at rents or instalments which do not leave enough over for food, clothing and other essentials.

because its power, in terms of men and territories, was steadily expanding. But January 30, 1943, sees only contraction and shrinkage ahead.

These facts are true. The contrast between Nazi Germany now and Nazi Germany only two years ago is glaring. But it would be a misunderstanding of what the Nazi regime is to suppose that it must certainly crumble as its front in Russia has done. The paradox of totalitarian regimes, in which the ruling group occupies every key position in the nation's life, is that the threat of defeat may make them, for a time, politically stronger. The only certain way to shatter the monstrous regiment of Nazis is by complete military defeat or utter physical exhaustion; and neither of these seems due yet. The people of totalitarian Germany have been robbed, physically, mentally, morally and spiritually, of the means of effective opposition. They cannot be expected to take the decision into their own hands. At home, they are not starving. At Stalingrad, they fought to the death. And they still have divisions, weapons and submarines to fight many battles.

Germany is held in a vice; and the history of the last decade explains why and how this has come about. When the Nazis made the coalition with the Conservatives which brought Hitler into power, the two coalition parties had polled only two-fifths of the total vote in the elections of November, 1932. The Nazis themselves had suffered a severe setback. The economic crisis which caused many Germans to look to extreme policies for salvation had run its course; and the Nazis' chance of obtaining a clear majority in a fair election had gone. But Hitler came and stayed. The reason was not his strength, which was waning, but the weakness of those who opposed him. The democratic parties could agree on no common policy. There was fratricidal strife in the Labour movement. The Liberal Party had almost vanished, and the Catholic Centre Party no longer held the balance of political power. The majority of Germans were deeply disillusioned, and there was a widespread clamour for strong government by strong men. It was this sense of disappointment with democratic failures which brought Hitler and his Nazis in.

The Nazis had prepared for this day. The party was organised on military principles of unified command and absolute obedience. In its organisation, it had reproduced

the administration of the Reich, with departments for home and foreign policy, for economics, agriculture and transport and for military affairs. It had its own army, its own police and its judiciary; special shock troops were in action against the trade unions. Conspiratorial groups were at work in the industrial factories, the chambers of commerce and other economic, social and cultural bodies. The democratic parties were blind to this novel danger. The Conservatives, traditionally representing the landed interest and heavy industry, actually hoped to tame and use the uncouth Hitler and his rabble of unemployed. The generals welcomed the national and military spirit of the Nazi party. Liberals, Socialists and Communists believed that given enough rope, the Nazis would hang themselves. So, by their own connivance, the German state was seized and the German people captured.

Hitler and the Nazis rose to power because they seemed to offer the unity and security which the democratic parties had failed to give. There was no effective opposition. With his oversized propaganda battering rams, Hitler set about breaking open doors which actually were already wide open. The old parties and trade unions were not cowards or traitors. It was simply that their programmes had failed; they had fought too long among themselves; and they did not understand what was happening. In the first totalitarian election, the Nazis obtained 92 per cent of the votes. This result cannot be explained entirely by terror or fraud, nor was it due, as Hitler believed, to his own supreme leadership and political intuition. It was the result of a profound reaction to the collapse of democratic organisations in Germany.

Hitler took his chance, and the process of total rule and total organisation began. In 1934, a ruthless campaign of terrorism and repression, carried out by the special militant organs of the Nazi party itself, was directed against all actual and potential opposition both within and without the Nazi ranks—with a violent and calculated brutality which has now reached its zenith in the extermination of Europe's Jews. The Nazi party could now embark on its "planned economy." Actually, the party had no economic programme, and its economic achievements have been vastly overestimated. Between 1934 and the outbreak of war, a tremendous output of weapons and materials of war was indeed achieved; but this was not due to tremendous insight or ability. The two main causes were, first, that a well-equipped and efficient industry already existed when the Nazis came to power; and, secondly, that this industry was only half employed in 1933. The Four Year Plans for agricultural and industrial self-sufficiency were long-

term investment programmes with wartime autarky in view. Employment in peace was provided by preparing for war; and a vast and cumbersome system of controls over production and marketing was established under an equally vast bureaucracy. The characteristic features of a competitive system largely disappeared. Undertakings run by the state or by the party were set up side by side with private concerns. The entrepreneur became less important than the salaried manager or engineer. The position of the worker was changed even more radically. Trade unions were destroyed; compulsory labour was introduced; and the worker lost his status and bargaining power entirely. The Nazi Labour Front is no more than a welfare organisation. In short, almost every group in Germany, land owners, peasants, industrialists and workers, were robbed of their identity, as classes and as individuals, in the new regime. The only differentiation that remained was the difference between Nazi and non-Nazi; and Nazis were placed in control at every point. Not even the *Wehrmacht* retained autonomy. In 1938, when Hitler set up the High Command of the *Wehrmacht*, the last generals credited with an independent political opinion were dismissed.

Step by step, in every field for ten years, Hitler's hold was tightened. Every time he was opposed, either at home or abroad, he prevailed, not because of his own strength or wisdom, but because of the weakness and folly of others. Now, there is a *bouleversement*: when his enemies are strong, he is growing progressively weaker. The attack on Russia has proved to be a supreme mistake—because it failed. The pitcher went to the well once too often. Again and again, first in Germany and then in the wider field of Europe, Hitler gained great triumphs because the opposition was weak. He came to believe that triumph was routine and inevitable. He has been harshly disillusioned; and the German people are now being faced with the consequences of his failure. The end of Hitler may not be immediately at hand. But the end is now certain. His span will not be much more than ten years. On a rising market, he was a world conqueror; on a falling market, he is doomed. A decade of ostentation and violence has left the people of Germany with nothing but their wounds to show for their servile state; and there are worse things to come before they rise again. For ten years, they have said "*Ein Volk, Ein Reich, Ein Führer*." Now they know, in the words of the Arabic proverb quoted by a correspondent to *The Times*, that "The pasture of Treachery and Aggression is unhealthy and indigestible."

Army has smashed the western one. The first stage of the Allied offensive has been concluded with striking success. To the Axis as well as to the Allies, Tunisia has now become the crucial front outside of Europe. Rommel's quick withdrawal from Libya can be explained only by his desire to strengthen to the utmost the Axis grip there. What will be the enemy's next move? What does he hope to achieve in Tunisia? In joining von Arnim's forces, Rommel has run an obvious risk. The distance between the two Allied forces in Africa has been radically shortened. The German force in Tunisia may easily be "sandwiched" between General Alexander's and General Eisenhower's forces. The Germans have, in a sense, invited a dangerous pincer movement against themselves. No commander would do this without at any rate the hope that, by doing so, he could obtain a vantage-point from which he might be able to offset the risk. It may even be that Rommel and von Arnim hope to strike westwards from Tunisia in a counter-offensive against Algeria. Certain facts may encourage this hope: the disproportion in the length of the respective lines of communication which definitely favours the Germans; the relative lack of mobility which has revealed itself on the Allied side during the Tunisian fighting so far; and, last but not least, the political confusion behind the Allied lines. The Axis has once again a chance to combine military operations with political warfare in the enemy

rear. The classical Fifth Column, in the shape of the SOL, the Doriotists and the Cagoullards, is there, probably stronger than it was in any European country in 1940. Such a scheme would fit in with the German conception of dynamic defence only too well. Von Arnim's first pre-occupation is, of course, to make contact with Rommel's forces. Hence the increased German pressure south of Pont du Fahs, in the Ousseltia valley. The Allied Command is undoubtedly aware of the danger; and American tank units have recently supported General Giraud's soldiers against von Arnim's panzer division. The question is whether the Allied wedge in this sector will be strong and deep enough to prevent a junction of the two German armies. Even this will not be enough. The task of the Allies now is to deny the enemy the very possibility of creating a diversion. Only an all-out offensive in Tunisia and the destruction of the enemy's bases can make sure of this.

Russian Prospects

In his latest order of the day Stalin has called the Red Army

Forward to the routing of the German invaders and their expulsion over the boundaries of our motherland.

The Commander-in-Chief of the Red Army has thus defined the general strategic aim of the advance. He has not defined the more immediate objectives. These are being defined in the actual process of fighting. The main thrusts have so far been made at the extreme wings of the front, in the south and in the north. The centre of the front has remained stationary and almost quiet. The Rzhev wedge pointing towards Moscow has not yet been reduced or flattened, and no large-scale fighting has been reported from this region recently. The commander of the central front, Marshal Zhukov, has been active in the south and in the north; and it is not clear whether any other commander has been put in his place. This contrast between the energetic thrusts on the flanks and the relative calm in the centre may be dictated by a purposeful strategic motive. It has been on the flanks that Russia's losses have been most grievous and that the opportunities to redress the position have been most favourable. It is on the flanks that the Soviet Command can obtain springboards for the final offensive, which may take the shape of a gigantic pincer movement towards the Baltic and the Ukraine—with the threat of total envelopment to the German centre. The struggle for the northern springboard round Leningrad is still in its initial stage. The Germans have been trying to undo their first large reverse there by strong counter-attacks; and it remains to be seen whether they will be able to hold their ground. If they fail, the Russian advance in the north can move along the shortest line to the Baltic states and Eastern Prussia. On the southern flank, the Russians have again scored important tactical successes. The last German bridgehead on the left bank of the Don, at Voronezh, has been evacuated; and by the recapture of the Voroshilovsk-Armavir line, as well as of Salsk, the Russians have made a big leap forward towards regaining the whole of the Caucasus. If they add Tikhoretsk and Kropotkin to their prizes, then the enveloped German units in the south-west of the Caucasus may find themselves with only one way of escape open, across the Black Sea to the Kerch peninsula. The fate of the southern springboard will now be decided in the battle for the narrowing Rostov-Don gateway. The German withdrawal from the Caucasus will result in an enormous shortening of their front. This will tend to strengthen their defence, and nobody can say which will prove more decisive for the prospects of that defence; the advantages of a shortened front; or the weakening of Hitler's army through the losses it has sustained since it moved across the Don last summer.

Inside the Fortress

While the enemy may be contemplating a large diversion at the African approaches to his "European fortress," he is at the same time busy strengthening the fortress itself from inside. Political as well as military preparations are in full swing. The attempt to intimidate the subjugated nations has been summed up by the sinister prophecy that "if Germany falls, its dead body will fall over the dead body of France." The old harbour in Marseilles has been cleared of its inhabitants; and the round-up of suspects in the south of France—former members of French democratic organisations, Jews and Allied nationals—has assumed mass

proportions. On the eastern fringe of the fortress, the same measures are being carried out with vastly more ruthlessness. General Sikorski portrayed the picture to an audience of journalists last Tuesday. The peasant population of six Polish districts has recently been removed to an unknown destination. Man-hunting in the streets of Warsaw has now been extended beyond the ghetto walls. General Sikorski explained these prodigies of terror in Poland by the German anxiety to crush underground resistance. To destroy the clandestine cells one by one seems beyond the Gestapo's power; they seek, therefore, to destroy the whole environment which forms the protective cover for the underground organisations. People accustomed to think in terms of a liberal way of life may feel bewildered by the descriptions of this technique. But, if they are to go under, the Nazis are resolved that they will drag Europe with them into the abyss. Only speed in the conduct of the war by the Allies can prevent the Nazis from doing so, and General Sikorski emphasised the danger that the dragging on of the war might bring resistance in the occupied countries to an end—by destruction and exhaustion. The familiar anti-Bolshevik bogey is being used more intensively by Goebbels as the Red Army advances; and its effectiveness should not be underrated. Far too many problems that are of vital interest to the eastern fringe of Europe are still in the twilight of ambiguity. The Poles and other nations would be reassured by a clear and specific statement about Russia's determination to respect their independence and territorial integrity, a statement which would be particularly timely at the present juncture, when the attitude of Germany's eastern neighbours and victims may either speed up or delay the decision in the east. That the right of any nation to self-determination does not imply any excuse for the maintenance of a dictatorial and aggressive regime, or for any sort of a narrow-minded nationalism, goes without saying. But neglect of genuine national feelings, and of the peoples' longing to be the masters of their own fate, would only play into the hands of the enemy, and help him to demoralise Europe's resistance.

To What End?

The Bill to set up a Ministry of Town and Country Planning was read a second time in the House of Commons on Tuesday. A function of the new Minister, Mr W. S. Morrison, will be

to secure consistency and continuity in the framing and execution of a national policy with respect to the use and development of land throughout England and Wales.

Existing powers under the Town and Country Planning Acts, which were transferred from the Ministry of Health to the Ministry of Works and Planning last year, will pass to the new Department; the Ministry of Works and Planning will become Works alone. In Tuesday's debate, very little indication was given of what Mr Morrison's power and authority will be; and in several speeches very little understanding was shown of what they ought to be. The old confusion between the specific task of planning land use and the wider and more general task of social and economic planning at large was very evident, particularly in the speech of Mr Greenwood. Perhaps it is not

NOTES OF THE WEEK

The End of an Empire

The struggle for springboards on the African theatre has entered a new stage. The last German and Italian rearguards are leaving the Tripolitanian soil. When General Montgomery entered Tripoli, Mussolini's dream of restoring the Roman Empire faded against the background of that city's Roman ruins. Hardly a tear will be shed in Libya after 30 years of Italian rule, of which more than twenty were filled with Fascist oppression. General Montgomery has dealt with the political aspect of his conquest in a radical manner. The leading Fascists are to be interned at once, Fascist activities banned and party funds frozen. No leader of the Black Shirts has been called in to aid the administration; there has been no political patchwork this time. The laconic and trenchant phrase: "Fascist leaders interned, Fascist activities banned and party funds frozen" may well become, and ought to become, the motto of Allied commanders.

Red Light in Tunisia

For more than a year the Middle East was overshadowed by the threat of a gigantic pincer movement by the Axis from the west and from the east. The Russians in the Caucasus are breaking the eastern jaw, and the Eighth

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.

Space presented by
**THE LIVERPOOL & LONDON & GLOBE
INSURANCE CO., LTD.**

surprising that members should be so mistaken about Mr Morrison's proper functions when those functions are still so shadowily defined. But for Mr Greenwood to suggest that what is wanted, *instead* of the Ministry of Town and Country Planning, is a Home Front Cabinet, composed of all the Ministers whose departments are concerned in any kind of planning, is nonsense. The fact is that *both* are needed: the Home Front Cabinet to initiate and supervise planning projects over the whole field of social and economic life, no matter what the departments which will act as agents; and a Ministry to plan land use within the framework of the policy made by this Cabinet or Committee. The two needs are quite distinct. The Ministry of Town and Country Planning is an agent in a particular field; and, while Mr Greenwood is right to say that general planning machinery is needed at Cabinet level, probably under a non-departmental Minister with this work as his special and exclusive province, he is quite wrong to suggest that the new Ministry of Land Use will be redundant. Partly because of this confusion the debate got little further than the Bill itself. There was a hint of progress in Sir William Jowitt's explanation that the power to set up commissions to deal with land use and development will probably include the acquisition of development rights and the management of property; and in the announcement that local authorities are to be vested with wider powers to buy land—which is essential if any of the projects to reconstruct blitzed areas are to be realised. But until the Government has made known in clear-cut, if general, terms what its decisions are on the main recommendations of the Uthwatt and Barlow Reports, everybody concerned in physical planning—the new Ministry, local authorities, property owners, industrialists and Parliament alike—will be left in the dark, with no assurance at all that the multitude of plans which are being made for building a better Britain in terms of bricks and mortar will ever see the light of day.

Rising Expenditure

War expenditure did not, after all, reach its peak last year. Then, the fact that mobilisation was virtually complete, and that the construction of war industry's capital equipment had practically been accomplished, suggested that a plateau had been reached. But expenditure has gone up. The daily rate of expenditure on the war in October was £12,750,000. In recent weeks, it has been about £14 millions, an increase of nearly 10 per cent, with an increase of 33 per cent in the expenditure devoted to "miscellaneous war services." In part, of course, this increase is merely seasonal. Expenditure in the last quarter of the year is always higher than in the previous quarters. But this is not the sole explanation. It is an important indication of the changed character of the war that the dynamic element in war expenditure is no longer production at home, but expenditure overseas—in Africa and the other parts of the world where offensive operations are proceeding. The Chancellor of the Exchequer made this plain on Tuesday, when he asked Parliament for a further vote of credit of £900 millions to carry over until the end of the financial year in March. Once again the Budget estimates will be overspent when the year ends by some 5 per cent; but revenue, too, is exceeding expectations by an appreciable margin. "We are now incurring substantial expenditure in this country by way of reciprocal aid to our Allies"; the scale and character of this reciprocal aid is indicated in a Note on page 143. What is received by way of Lend-Lease from the United States does not appear in the British Budget, just as what is received by the United States from Britain under reverse Lend-Lease does not appear in the American Budget. But, just as the goods and services supplied in this way to the various United Nations do appear in the American Budget, so do those supplied by Britain to the United States and other Allies appear in the British accounts. The prospect is that war expenditure will increase further, not only because of the mounting cost of overseas offensives, and the cost of reciprocal aid, but also because the rate of war output at home, in spite of the high degree of mobilisation and productivity already achieved, is to be stepped up still more this year. This was the burden of Mr Lyttelton's statement last week, when he forecast a further concentration of manpower in both production and the fighting Services. In spite of the vast productive power of the United States, British output remains the essential core of Allied warfare in many theatres; and the success achieved so far in avoiding significant inflation and financial disorder promises well for similar success in the final total

stage of the struggle. Members were very right to underline the crying need for economy in the use of both material and financial resources; but the aptest comment was that of Mr Pethick-Lawrence—"This is therefore the time for the peak of our sustained effort to be reached."

The Foreign Service

The Government has issued in a White Paper (Cmd. 6420) proposals for the reform of the Foreign Office, forecast by Mr Anthony Eden last June, when he announced new methods of recruitment and superannuation for the Foreign Service and the post-war fusion of the Diplomatic and Consular Services. After the war, entry into the Foreign Service will be in two stages. Success in a preliminary examination, taken by men between the ages of 21 and 23, will entitle candidates to eighteen months' training at the expense of the state, to be spent mainly abroad, and to cover a wide field of experience—political, social and economic. Up to 25 per cent of the candidates will be chosen, not by examination, but by personal interview, on the basis of record and personality. After training, a second examination will be held to decide final entry into the Service. This system cuts out the present penalisation of candidates without private means, who cannot afford the period of education abroad, which is practically indispensable. It should effectively widen the range of choice, and bring people with a wider variety of talents into the Foreign Service. At the other end of the diplomatic career, the pensioning off at a relatively early age of those not competent to undertake higher appointments—a method already usual in the Armed Services—will materially assist the promotion of abler younger men. So urgent is the need to free the upper reaches of diplomacy from inefficiency that the Government proposes to introduce a special Superannuation Bill at once.

All the proposed reforms dealing with recruitment, training and advancement can be sincerely welcomed. Whatever kind of specialisation an official may engage in afterwards, it is essential that his interests should be wide and liberal and that he should bring a trained mind to his work. The other side of the reforms—the fusion of the Diplomatic and Consular Services—raises wider issues. It is proposed because the greatly increased range of interests covered by the term "international relations" makes the old conception of diplomacy too narrow. Political understanding and contacts with purely political circles are not enough. The successful official must have knowledge of economic and social matters; he must know something about labour movements; it is as well that he should understand and know how to deal with the press. At present, the gaps are filled by the appointment of expert advisers to missions abroad. With the broader training and the fusing of the Diplomatic, Commercial and Consular Services, the Government hopes to make it unnecessary to appoint these special advisers except for purely technical matters. Yet can purely diplomatic officials really fulfil the wide variety of functions imposed by the new conditions of international affairs?

Food for India

The announcement that the British Government has arranged for shipments of wheat to India was no surprise. For some time, there have been reports of famine in some districts and serious shortages in others for reasons which are discussed on page 145. It is clear that the shipments alone will not relieve matters unless steps are taken to have the wheat properly distributed. This the Indian Government intends to do; it has announced that it will allocate the wheat to the deficiency areas, and the Provincial Governments concerned will supervise its distribution to consumers. The shipments must also be big enough to allay the fear of famine, since it is this fear which has caused the hoarding of food, by some consumers as well as by producers and dealers, and intensified the shortage. The wheat, which will presumably come from Australia, is there in plenty, and India, whose sterling balances at the beginning of this month were over £300 millions, has money in plenty to buy it with. The difficulty, especially at this stage of the war, will be to find the ships to take it. India's food shortage, therefore, besides being of serious concern to British rule in India, has an international significance. All over the world, these food shortages are becoming acute. When the United Nations were on the defensive, it was

easy to say that they were inevitable, but the impression was allowed to grow that famine relief and victories would march hand-in-hand. Undoubtedly, the food situation in the Middle East and North Africa would have been much worse if the Allies were not in control. But it is still very tight, and must continue to be so long as ships are needed to bring men and weapons rather than food. The problems, therefore, that are now being faced in India and the Middle East will be even more difficult when the Allies land in starving Europe. Clearly, the best way to end the famine is speedy victory, and, however hard the decision, food ships must come second to victory ships. But once the "unconditional surrender" of the Axis has been achieved, the food ships must be sent with the least possible delay. There must be no general raising of the British people's rations until their hundred million Allies have been fed.

An Unnecessary Incident

Before the war, the Labour party toyed with the idea of challenging the Speaker's unopposed return to Parliament at a general election. They did this, not from any dislike of the present Speaker or dissatisfaction with him, but because they held that a constituency which is represented by the Speaker, who holds office for an indefinite term, is disfranchised. Happily, this theory had only a short run, but it was generally regarded as a blunder while it lasted. The high offices of the House of Commons should be kept entirely free from personal or party differences if their occupants are to fulfil their duties conscientiously and impartially. Last week's incident in the House, therefore, which arose from Sir Dennis Herbert's resignation and Mr Attlee's motion to appoint a new Chairman and Deputy-Chairman of Ways and Means, was particularly regrettable. Mr Austin Hopkinson took it upon himself to oppose the motion. The reason that he gave, speaking as "an independent member," was that the Conservative party had not been consulted through the 1922 Committee about the nomination of Major James Milner, Labour Member for South-east Leeds, as Deputy-Chairman. Personal and party prejudices were thus blatantly uppermost, because Mr Hopkinson raised no objection to the fact that Colonel Clifton Brown, Conservative member for Hexham, had been nominated Chairman, although the Labour, or any other, party had not been consulted. Fortunately, he found only one supporter in the House, although other members, while not objecting in any way to the nominations, thought that there should have been private consultations before they were made to the House. Mr Eden, however, was quite firm that there was no precedent for notice or consultations—and, indeed, as Mr Aneurin Bevan said, it would be most undesirable for names to be hawked about in private beforehand—and the motion was passed, without a division. But the incident did not add to this Parliament's laurels.

Home Front

The Home Front Handbook issued by the Ministry of Information brings together facts and figures on most aspects of the war. In the choice of topics the Ministry has been guided by the questions which are most frequently put from abroad; indeed, it is designed primarily for use overseas. The subjects it covers range from absenteeism to civil defence, coal, guns, national savings, nutrition, rationing, shelters, vitamins, war damage and workmen's compensation. The chapter on manpower begins with a useful analysis of the number of persons available for employment in the war effort. The number of persons aged 16-64 is 33,250,000, including 16,000,000 men and 17,250,000 women. Of the total number of women in this age group, 10,000,000 are married or occupied in necessary household duties; between the ages of 18-64 only 4,250,000 women are unmarried. The contribution of married women is revealed by the fact that, exclusive of domestic service, some 6,750,000—a figure considerably in excess of the number of unmarried women—are engaged full time in industry and in the Forces; a further 300,000 are occupied on part-time work. The reason for the heavy call which this war has made upon British women was made plain by Mr Winant, American Ambassador in London, in a speech before the Council of State Governments in Baltimore this week. In this war, he said, 125 workers are needed on

munitions in Britain for every 100 in the fighting Services, compared with 65 in 1914-18; and, according to the Ministry of Information's Compendium, as long ago as December, 1941, one million more men were employed on munitions than at the end of the last war.

Manpower in War Industry

In the latest bulletin of the Oxford Institute of Statistics Messrs M. Kalecki and J. Steindl have made an attempt to estimate the volume and proportions of the manpower resources of Britain and America devoted to war production. Instead of the usual financial approach to the problem, starting from estimates of national income and expenditure—which is defective owing to the lack of adequate data for making adjustments for changes in prices—the authors have based their calculations on the transfer of manpower from peace to war occupations. Mr Steindl admits the limitations of this approach, since manpower is only one of the factors of production. On the basis of a series of ingenious calculations and assumptions, Mr Kalecki estimates that the volume of insured employment in Britain has increased from 13.1 million in 1938 to the equivalent of 14.5 million "1938 workers" in 1941. The latter figure does not represent the actual number of insured persons, but what the number would have been if working hours had remained at the 1938 level. Of the increase of 1,500,000, some 500,000 represent actual additional workers and the remaining million the increase in the working hours of those already insured. Of the total number of "1938 workers" insured in 1941, he estimates that 7,500,000, or about 50 per cent, were on war work. Apart from the increase of 1,500,000 in the total number, the equivalent of some 5,500,000 "1938 workers" were transferred to war work from peacetime occupations; 1,500,000 were transferred from those ministering to civilian consumption; 3,000,000 from those engaged in the production of investment goods; and 1,000,000 from the export industries. The number of workers already engaged directly or indirectly on war work in 1938 was 600,000. Mr Steindl shows that the number of persons employed on war work in the United States was 10,500,000 in the second quarter of 1942. After allowing for differences in weekly working hours between the two countries, he reaches the conclusion that, at that time, the number of workers in war industry was 10,000,000 in the United States, compared with 8,000,000 (1938 workers) in this country. In other words Britain was then employing on war work 4 persons for every five thus engaged in the United States. In his introduction to the articles, the editor of the bulletin estimates that the ratio has increased since the second quarter of 1942, but that there are probably still less than two American war workers for every one British. Moreover, since a substantial proportion of American war workers are still engaged in the construction of factories and other equipment, a process which has been virtually completed in this country, Britain's output, in terms of actual fighting equipment, is still appreciably greater than is suggested by a mere comparison of numbers of war workers. "The argument that an extra ten per cent from Britain is negligible in view of the vast US production is not valid, and will not be valid during 1943." Great Britain's contribution of munitions, in fact, will play a decisive part in the battles of the coming months.

War Pensions

The dependants of members of the women's Auxiliary Forces of all ranks who may be disabled or killed are to be compensated at the same rate as the dependants of men in the Forces. This is the chief concession announced in

For the Child's future —
consider a
MAGNA CARTA POLICY
which affords protection should the
father die during the child's minority.
NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE
Founded 1835
48 Gracechurch Street, London, E.C.3

the Royal Warrant which the Minister of Pensions presented to Parliament last week. The Warrant which replaces that of June 29, 1940, gives effect to certain modifications which are already practised by the Ministry; and it embodies the improved rates of pensions introduced in February, 1942, in order to meet the increased cost of living. The list of women's dependants has been extended, and is now the same as that applicable to men; a dependent husband and dependent children are to become eligible for pensions even if the marriage took place after the wife joined the Services. A further concession entitles women to receive the "constant attendance" allowance, if totally disabled, and education allowances for their dependent children on the same terms as men. These improvements in conditions will be generally welcomed—they were approved by the all-party committee which has been advising the Minister of Pensions—but they will probably lead to a renewed demand for bringing other scales of war pension and compensation into line. Women disabled in the Services are still to receive pensions at about two-thirds those of men, and it certainly seems somewhat anomalous that there should be one rule for a woman and another for her grandmother.

Axis Lend-Lease ?

The German-Japanese and Italo-Japanese Economic Agreements, which were signed last week in Berlin and Rome, are officially described as the economic supplement to the Tripartite Pact. The aim is "total and unreserved mutual assistance." The draft of the two treaties, which are identical, as published by the Italian telegraph agency *Stefani*, does no more than list the heads of co-operation: economic, financial and administrative. It is in Tokyo that the practical side of the project is being hammered out; there, three executory agreements have been signed by the German Ambassador, Ott, and the economic emissary, Wohltat, for Germany, and the Japanese Minister of Foreign Affairs, Tani. It is understood that the practical details are still being negotiated. The essence of the scheme is an attempt to provide the Axis with a pale imitation of the Lend-Lease mechanism. The immense raw material resources of Japan and the technical and mechanical skill of Germany are to be pooled and exchanged. What contribution Italy is to make is less clear. German newspapers stress the absence of any strict accounting or necessity to repay item for item, and also the long-term significance of the arrangement by which the New Order in Asia and the New Order in Europe are to become complementary. It is not yet known when the agreements come into effect—or how. The outstanding snag is, of course, transport. Replying to the questions of neutral correspondents, the German official spokesman, Schmidt, refused to commit himself as to how the mechanism of exchange is to be provided. And the *Giornale d'Italia* on January 22nd last pertinently asked what form of economic collaboration could take place during the war. "Direct and intensive exchanges cannot certainly take place during the conflict." That would seem to be a reasonable conclusion, despite the occasional success of an Axis blockade-runner and the immediate and optimistic creation of a *Deutsche Bank für Ostasien* with a branch in Tokyo. There is an interesting suggestion that co-operation in the exchange of experience can take place at once; but it remains to be seen whether any of the signatories will bring themselves to part with armament patents.

Rara Avis

President Castillo lost no time in informing his countrymen that Argentine policy remains unaffected by Chile's break with the Axis. The announcement was expected. Had Argentina intended to abandon its neutrality at the present juncture, the crucial step would have been taken in co-operation with Chile, and not in consequence of that country's decision. For the moment, the effect on Argentine opinion is confined to an almost imperceptible strengthening of the prestige of pro-Ally supporters. The Chilean move attracted the minimum of press comment in Argentina. Immediately, the topic seems to have been superseded by the storm raging over the publication in Montevideo of the substance of three United States memo-

randas on Nazi espionage—the same memoranda, significantly enough, which precipitated Chile's decision. The publication was undertaken by the Inter-American Committee of Political Defence, in the absence of a full statement of the facts by the Argentine Government. Since the United States memoranda were presented last November, drawing attention to the work of four groups of Axis spies, legal action has been taken by Argentina in which the Federal Prosecutor has intervened. It is because of his failure to waive diplomatic immunity and submit to the findings of the Courts, that the German naval attaché, Captain Niebuhr, is now forced to leave the country. Official annoyance at the publication in Montevideo is based on the view that it is "prejudicial and redundant" while the charges are *sub judice*. But, in defence of the publication, it must be admitted that the Castillo administration has consistently shown slight consideration of public opinion; that the terms of the charges must exercise an important influence on the formation of public opinion; and that their full content has been withheld for some three months. The Uruguayan press, which has repeatedly emphasised the position in which Argentina now finds itself, isolated in the sub-continent, continues to point out that this neutrality is not the product of a free and informed popular judgment.

Trade Unions and Technicians

Sir Stafford Cripps, addressing a conference of the Association of Supervisory Staffs and Engineering Technicians last week-end, spoke of the role of the trade unions, which he described as "the repositories of the democratising forces within industry" in post-war Britain. He said that, while the primary function of trade unions is to guard the financial interests of their members and to ensure decent working conditions, they will have to become much more closely associated with responsibility for production. This co-operation has developed rapidly since the war and has reached a far higher pitch, at every level of production, than was achieved in the last war. The position in wartime, when a common purpose transcends many prejudices and obstacles, is, of course, very different from what it will be in peace-time. But it is equally true that the transition from war to peace will bring forth many problems in which trade union co-operation is just as vital as it is today—a fact stressed by Mr Bevin in a recent speech. The occasion of Sir Stafford's remarks raises an interesting question from the view-point of trade union organisation—the position of supervisory and technical staffs. These workers are becoming increasingly organised. Their Association, which is affiliated to the Trade Union Congress and which originated in 1917 as the National Foremen's Association of the Engineering and Allied Trades, is said to have increased its membership five-fold since the beginning of the war, and to be nearly 10,000 strong. A resolution calling for the representation of supervisory and technical staffs on Joint Production Committees was passed at the 1942 TUC meeting, and has been put into effect in many factories. The question has arisen whether they should be represented on the managerial or the workers' side, and whether they should be full members of the committee or co-opted to deal with particular problems. Whatever solution is found, it is clearly essential that foremen and technicians should be drawn into the discussion of production problems within the factories through the production committees, and that all members of the establishment, whether management, foremen, technicians or shop stewards, should work together to achieve maximum productive efficiency.

The LCC on the Public Schools

Once again, the unending controversy over the public schools has reared its head. This time, the occasion is the report from a sub-committee of the LCC Education Committee outlining the evidence which should be given to the Fleming Committee. The Fleming Committee was set up by Mr Butler last June to consider how the association between the public schools and the general educational system can be developed and extended. These terms of reference were certainly not encouraging. They assumed that the present association was on the right lines, and consequently promised no far-reaching recommendations for reform of the country's education as a whole. It is

hardly surprising, therefore, that the LCC sub-committee suggests that the Council should declare itself opposed to the kind of collaboration thus envisaged. But if its report is not a surprise, it is most certainly a mistake. It is absurd to say that the public schools are "educationally undesirable" even "while present principles guiding their management and recruitment continue." The education in a boys' public school is eminently desirable; what is wanted is to make it available to any boy who can benefit by it, irrespective of his social environment and his parents' means. This clearly cannot be achieved so long as the public schools are regarded as mainly for boys of a certain class, no matter what their intellectual abilities, with a few scholarships for the bright boys from the state schools. Competition for all their very limited (relative to the total child population) vacancies must be allowed to all boys, no matter where they receive their primary education. The LCC sub-committee is on stronger ground when it refers to the social undesirability of the public schools. But, here again, it is not so much the transient snobbery that may occasionally be inculcated that is important, as Lord Latham, leader of the LCC, seems to suggest, but the fact that the important posts in national life, whether in Government or in industry, are given far too often to ex-public school boys who, since they were not chosen for that form of education because of any inherent virtue of intellect or character, cannot always fill them adequately. It is this which, as the war has proved, is socially undesirable, and the LCC committee has missed an opportunity in drafting such a purely destructive report instead of placing the real issues properly on record.

The Press and News

The annual report of the council of the Empire Press Union contains, as might have been expected, consider-

able criticism about the release of news. Some of these have much justification, especially the statement on the public relations departments of the different Ministries:—

Valuable as some of these offices are, it can hardly be said that their output of usable press material has been proportionate to the expansion of public relations staff.

Too often these public relations departments, instead of merely giving the facts, write up their own stories, and put their own gloss upon the announcements. They tend, therefore, to be advocates for their Ministers and Ministries, speaking to a brief, instead of simply the means by which policy and information are made known to the public. Of more interest is the Empire Press Union's comments on the effects of the new censorship powers announced last March. It will be recalled that Mr Bracken suddenly announced that henceforward the censors would have power to stop Press messages "calculated to produce ill-feeling between the United Nations or between them and a neutral country." Since the occasion for this ban was the material cabled out by a few Dominion correspondents, which, Mr Bracken said, had done "appalling harm to the war effort," it is interesting to note that the comment of the Empire Press Union is satisfied that no legitimate criticism of policy or administration has been stopped. But it states that there was, to begin with at least, some delay, while censors referred messages to higher authority, and also that overseas newspaper readers have been made doubtful about the extent to which messages are modified by the censorship. But this doubt is bound to be a regrettable by-product of any form of censorship, and it must have existed even before the new powers were given. On the whole, they have probably done more good, in restraining the virulence of certain correspondents, than harm, and they have certainly been wisely and leniently exercised.

AMERICAN SURVEY

Two-Way Traffic

The Administration's campaign to put Lend-Lease operations in their proper perspective is now well under way. Mr Stettinius, in a personal statement and a report to Congress, has ably stated the general argument for reciprocal aid, and has supported it by a series of new figures on the size and variety of British and Dominion contributions to the American war effort. The American forces in the United Kingdom have received supplies, other than construction materials, amounting to a greater tonnage than the supplies sent to them from the United States, and vast quantities of other facilities and services as well. In the Pacific area, American forces are supplied almost entirely with food from Australia and New Zealand, thus

freeing shipping from the United States for the transport of tanks and guns. Another striking example of British reciprocal aid which Mr Stettinius cited was the fact that Great Britain provided two-thirds of the warships and transports employed in the original North African landing. The Lend-Lease Administrator explained that, in most cases reciprocal aid is not expressed in terms of dollars, as many of the services, and, in particular the "pooling of brains," are impossible to express in dollar figures; and he argued that, in any case, it is impossible to compare the loss of, say, 1,000 Russian lives with the contribution of 1,000 fighter aircraft. In another statement last week, Mr Stettinius emphasised the predominant share of Lend-Lease material that is going to Russia, and the fact that



BANKERS TRUST COMPANY

NEW YORK

Complete banking facilities

London Office:

26 OLD BROAD STREET, E.C.2.

Incorporated with limited liability in the U.S.A.

Britain also has made massive contributions to the present Russian campaign. The Bill to extend Lend-Lease has now been introduced into Congress, and the political squall over it appears to be dying down. Events have proved an even more persuasive advocate than Mr Stettinius' big guns. It was difficult for the Opposition to complain about supplies going to Russia during a week of resounding Russian victories; and the entry of the Eighth Army into Tripoli provides a definitive rebuttal of the charge that weapons sent to Britain were being hoarded or misused. The case for Lend-Lease is too good for the Opposition to make much headway; it will have to content itself with finding fault with its smaller aspects, such as the cost of administration. It is a pity, indeed, that the impressive account of British contributions to the common cause was not made public long ago, before so much play was made with the false idea that the United States stood alone in providing supplies and services for its Allies.

* * *

The Case for Expediency

"Our Government's Case for Expediency" is the title and theme of an article in the February *American Mercury* which has aroused much comment in the United States. The writer is Mr Kingsbury Smith, a well-known Washington correspondent, who has covered the State Department for many years and is thought to reflect the views of that group in the Department which was most enthusiastic over the deal with Darlan. The argument is put with brutal simplicity.

Winning the war—winning it at the least possible cost of American lives—is the first objective of Washington strategy. Spreading the four freedoms around the world is something we would like to see done after the Axis is defeated. . . .

Criticism of the deal with Darlan, according to Mr Smith, comes in the main from two sources: the de Gaulle Government in England and those persons, both in this country and England, who contend we have broken faith with the entire "free" movement. But he also mentions "certain factions in England" who disliked the prospect of having a violent Anglophobe at the helm of liberated France. Mr Smith is convinced that the French are "realistic enough to keep their eyes on the main goal—the defeat of Nazi Germany," and he goes on—

The American Government's position in respect to Africa is that it welcomes the support of every Frenchman who wants to fight the Axis. It doesn't want to have to settle a political difference between Frenchmen as a prerequisite to their joining the Allied cause, especially not at the cost of American lives.

Of the future, Mr Smith has this to say:

The factor about the Darlan affair which makes it of such overriding importance to this country is that it is the first of several such hurdles which must be crossed on our way to victory. The men who lead our armies must make bold, summary decisions, not in the light of ideals, but in the light of military realities. . . .

Our State and War Departments . . . are convinced that the safest policy for this government to follow is one of military expediency. Until Germany is disarmed, we will deal with those who want to help destroy the enemy. . . .

When victory has been won, then will be the time for political argument, for choosing leaders and establishing permanent regimes, and for seeking support for the four freedoms.

This is expediency naked and unashamed—though the question whether this particular case of military expediency has in fact proved militarily expedient (which is very uncertain, to say the least, and has in any case still to be proved) is not dealt with. Mr Hull was himself reported to have spoken sharply this week when questioned about criticisms of the North African policy of his Department made by Mr Walter Lippmann and others; but Mr Smith's defence would appear to be most damaging to a Secretary of State whose immense influence rests largely upon his record as a man of ideals.

* * *

Back to the Farm

A proposal to recruit a voluntary land army of 3,500,000 in order to get in next year's harvest has been made by Mr Wickard, the Secretary of Agriculture, and

Mr McNutt, the Manpower Commissioner. There has been a heavy drain on agricultural labour during the past two years. Mr Wickard put it at about 3,000,000. It is this depletion of the farm labour supply which is the main moving force behind the current Senate investigation into the size of the armed forces, and which is a more potent factor even than the additional \$100 millions of "incentive" payments. Mr Wickard has promised to increase production. The voluntary land army, without which the agricultural goals for 1943 cannot be met, is to be drawn in the main from housewives and persons in non-essential occupations in urban areas. In addition, Mr Wickard indicated in his report to the President that he was in favour of some further form of wage control to discourage migration from the country to industrial centres. The response to the call for volunteers is certain to be heavy; and the farmer will be grateful for any help that is available. But already the hired labour force contains a high proportion of inexperienced hands; and it is thought that there may be a more dangerous scarcity of labour in marketing, transporting and processing the crops than in the actual harvesting. Additional mechanisation is out of the question. Farm machinery is so short that farmers are required to obtain permits from their local agricultural boards before they may buy new machines. Any substantial expansion beyond the 1942 harvest is therefore unlikely; and Mr Wickard warned that, as about one-fifth of the total production will be needed for military and Lend-Lease purposes, a full-scale rationing programme will be necessary in 1943. Even so, lack of transport will make some fresh foods unobtainable in certain areas. Already there is a lengthy list of foods which it is announced the Government intends to ration shortly. In view of the local shortages already existing, there is considerable support for a speeding up of the rationing programme in order to avert more serious scarcities later.

* * *

Pay-as-You-Go

Many of the same problems crop up in every country at war. On March 15th the first instalment of the higher American income tax is due from many millions of people who have not previously enjoyed that privilege. The Tax Bill was enacted so late that even the most prudent taxpayer lacked time to put aside sufficient reserves. Nor have American tax-payers gone through the gradual hardening process available to British tax-payers. The need of a pay-as-you-go arrangement became obvious in the last session of Congress, and, indeed, the new 5 per cent Victory tax, included in the Bill, is being collected at the source. It is agreed that an extension of this principle to the income tax is essential if there are not to be wholesale tax defaults in March. The most ingenious scheme is that put forward several months ago by Dr Beardsley Ruml, of Macy's. His proposal, which for obvious reasons recommended itself to certain tax-payers, was that the Treasury should entirely remit taxes on income earned in 1941, and that monthly or weekly payments in 1942 should be applied to taxes due on 1942 income. The plan provides that 1942 incomes should be assumed to be equal to those earned in 1941, until the end of the year when adjustments would be made. The plan was so warmly received that warnings have been necessary to remind tax-payers that it is not yet law, and that they may yet be liable for taxes on last year's income. Dr Ruml agreed that the Treasury would hardly feel the loss, which would only gradually become apparent as tax-payers died fully paid up. This the Treasury hotly contested, pointing out that, during 1941, many incomes, both personal and corporate, reached peaks that will not be attained again during the war, owing to the concentration of industry, price control, rising costs, and legislation covering profits. The plan, if adopted in the form proposed, undoubtedly would prove a windfall to many tax-payers in the higher brackets. In a modified form, however, it is necessary if collection of an increasingly heavy tax-burden is to be made practicable and bearable. Another kind of pay-as-you-go tax—a spending or sales tax—also appears certain. The difference is that a spending tax would be levied on income theoretically available for spending after exemptions for savings, taxes, life insurance premiums, and debt obligations. Its advantage over the general sales tax is that it could be graduated in accordance with ability to pay, and would reach hoards as well as money put into circulation. Its administrative feasibility is more doubtful, and it was on this score that the Senate Finance Committee turned down the Treasury's proposals last year.

THE WORLD OVERSEAS

Food Subsidies in Canada

(From Our Ottawa Correspondent)

December 31st

THE cost of living will henceforth be subsidised directly to offset any pressure upon price levels, which could be restrained, but not entirely controlled, under the policy of a universal price ceiling. As announced by Mr Ilsley, the Minister of Finance, on December 3rd, the commodities marked initially for price reductions, through subsidy, removal of duties and taxes, or by direct sale at a loss through a Government agency to the trade, were tea, coffee, oranges and liquid milk. The cost of reducing the price of these items will be \$40 millions a year.

While the decision to subsidise the cost of living, as Mr Ilsley said, contained a most solemn reaffirmation of the policy of rigorous control, it was also a strategic retreat on the part of the Canadian Government from the policy of a universal price ceiling, established a year before in preference to selective price control. The price increases which had occurred since the basic period of the ceiling policy, and which had forced a shift to the plan of selected subsidies, had chiefly taken place in foods. During October, there was an increase of nearly three points in food prices. Leading the rise were beef, oranges, butter, potatoes, lard and lemons, all high in essentiality in the Canadian diet.

The introduction of subsidies will not, by any means, imply a relaxation of the general price ceiling. Canadian experience of one year with an over-all ceiling has been highly successful, measured in terms of economic stability and of benefit to consumers. The principle of subsidies is not new, as it has been used to the extent of \$30 millions in taking up adjustments between manufacturers, wholesalers and retailers in order to safeguard retail prices. A brief review will substantiate claims that have been made on behalf of the ceiling. The inflationary spiral set in, in Canada, in the spring of 1941. In succeeding months, from April 1 to November 1, 1941, the cost of living index rose by 7.1 per cent, or at a rate of 1 per cent a month. The price structure, with a few exceptions, was frozen at the level corresponding to the highest price recorded on a particular commodity between September 15 and October 11, 1941.

From December 1, 1941, when the ceiling was established, the spiral of inflation was held in check. The cost of living index moved up only 2.8 points, from 115.8 to 118.6 (1935-39 = 100). But the surge of prices was plainly upward as the first year's trial with the general ceiling ended, and food prices were in the lead at a time when food prices normally declined in Canada. It is true that control of prices by a lawful ceiling restrained a rise in the cost of living that might have amounted to 10 or 12 per cent. But it is equally true that the ceiling itself, extending across the entire range of Canadian prices, was not enough to restrain indefinitely the pressures on the cost of living.

Inflation Warnings

It was, therefore, time to strengthen the barricades. The Canadian people received plenty of warning that the battle against inflation had not been won. Donald Gordon, chairman of the Wartime Prices and Trade Board, repeated it. "The threat of a disastrous inflation is as real now," he said on December 16th, "as it ever was." Again, on September 30th, he said: "We must beware of any assumption that the battle against inflation had been won." Again, on October 22nd, he gave warning that increasing purchasing power in the hands of the people will force prices up unless direct controls fight every step of the way.

The nature of the cumulative pressure on prices was well known. Prices of important imports rose as foreign prices beyond Canadian control advanced. Shipping and other costs added to prices of imports. Seasonal declines in Canadian prices failed to materialise, indicating that lessened supplies meant higher unit costs. Despite heavy

taxation, designed to drain more than \$2,000 million into the Treasury, and heavy public borrowing such as the Third Victory Loan which diverted nearly a billion dollars from public savings, the volume of purchasing power in the hands of the public was expanding, like water in a reservoir rising higher and higher behind the dam of price control. Earnings of industrial workers increased substantially. Wage rates, despite the wages ceiling, increased in twelve months by 13 per cent on the average. The season of 1942 was one of the most productive in the history of Canadian agriculture, and farm income rose by 20 per cent.

There was, too, an important technical reason why the cost of living should not be allowed to rise. The price ceiling was linked with the wages ceiling through the device of the cost of living bonus, which provided that employers would be compelled to pay cost of living bonuses to employees, adjusted quarterly for each full point of change in the cost of living index. This index had shown, on July 2nd, a rise of 2.4 points over the index of October 1, 1941, and the National War Labour Board then ordered payment of bonuses and increases in existing bonuses. The rate of bonus was 25 cents a week for each point increase in the index, which had risen 17 points since the outbreak of war, a total of \$4.25 a week, or, in the case of employees receiving less than \$25 a week, 17 per cent of wages received. That a further bonus would become payable, when the January 1, 1943, index reading was reported, seemed certain.

Under these circumstances, the decision was made to bring the cost of living, at least in part, back to the level of the basic period. "It is sufficient," said Mr Ilsley, "if by the reduction of certain prices whether they have risen or not, the total cost of the consumer's budget is moved back." The reductions were four cents a pound on tea, 10 cents on coffee and two cents a quart on milk, and duties and taxes were removed from oranges to permit their price to revert to the base period. Tea and coffee were recently rationed, as was butter.

The critical issues that compelled the adoption of selected subsidies for items in the cost of living index went largely unrecognised in Canada through an unfortunate twist in the publicity surrounding the announcement. The subsidies, announced shortly before Christmas, were interpreted as specially good news for the consumer, as indeed they were. The fact that the general ceiling policy, which had notably preserved the Canadian economy from the ravages of inflation for one year, would not suffice to preserve it unscathed for another year dropped into the background. Somehow, the point that the battle against inflation is intensifying, rather than diminishing, was lost and with it the opportunity to harden civilian morale against the day when rationing will become more onerous and fresh restraints upon purchasing power will become inevitable.

India's Food Position

[BY A CORRESPONDENT]

THE British Government has arranged to ship large quantities of wheat to India in the next two months. This announcement underlines the serious food position which has developed in recent months. India normally produces about 60 million tons of food grains, consisting of about 26½ million tons of rice, some 10 million tons of wheat, 9½ million tons of jowar and bajra and 14 million tons of barley, maize, gram and other grains. In addition, nearly 1½ million tons of rice was imported from Burma. Of this total supply of 61½ million tons, India used to be able to spare its neighbours about 1 million tons. It is thus evident that, with rice from Burma no longer available, India is

barely self-supporting, even given normal harvests. But India needs to be more than self-supporting at the present time. Ceylon, also deprived of Burma rice, has to receive supplies from the nearest source, while Iran has been in need of wheat, which the United Nations have tried to meet, and again from the nearest source—India. Quantity figures of exports are not published, but in the Council of State some months ago the Commerce Secretary said that total grain exports from September, 1939, to June, 1942, were 827,000 tons of rice, 430,000 tons of wheat and wheat flour and 278,000 tons of other grains and pulses. The bulk of the rice had gone to Ceylon, Arabia, South Africa and Mauritius, the bulk of the wheat to Burma, Iran and Arabia.

This is the background to the problem facing the Government. A "Grow More Food Campaign" is being encouraged variously. The Provincial and States Governments have offered inducements by such concessions as reduced irrigation rates, reservation—as far as possible—of canal water exclusively for food crops, allotments of fallow and waste land free of rent and land revenue charges, distribution of manures and improved seed and the provision of temporary loans to cultivators. There are some 105 million acres of the land described as cultivable waste, and it is hoped that at least five million acres of this area will be brought under cultivation. Another five million acres, usually under short staple cotton and raw jute, are also expected to be turned over to food crops. The increased yield of foodstuffs from the increase in food acreage is expected to be not less than 1,700,000 tons, of which a considerable proportion should be available by next April.

Addressing the first meeting of the Central Food Advisory Council at the end of August, Sir Jogendra Singh, member of the Executive Council, said the shortage of rice was about 2,200,000 tons, but that seasonal variations in some years had been large, and in the year 1940-41 ranged around 4,400,000 tons. The reported shortage, compared with total annual production of 26,500,000 tons and variations which have been experienced before, was not too large; he looked, moreover, for an additional 850,000 tons of rice as a result of India's grow more food campaign and other measures. The last wheat harvest had yielded about 10,700,000 tons, which would more than cover normal consumption of about 9,900,000 tons, but fell short of estimated total wartime requirements. It is hoped that wheat production will be increased by about 450,000 tons as a result of the production drive. Though the price of wheat is more than 100 per cent above pre-war, the position has been aggravated by the tendency of the producer to hoard his surplus.

Speaking two months later, Sir Jogendra Singh referred to the complications caused by transport difficulties, and said that the situation had been still further complicated by the action of various Provinces and States, which, in their anxiety to conserve their own supplies, had restricted the even flow of commodities from one region to another. It is only fair to add that some of these restrictions, if official provincial purchasing can be so described, are motivated by the creditable aim of thwarting dealers intent on hiding stocks and pushing up prices. Some months ago the Punjab Government purchased 80,000 tons of grain, which is stored in suitable centres as a precaution against artificial or real shortages and as a steady influence on the market. In December, the same Government bought another 52,000 tons of grain, including 37,000 tons of wheat, which was expected to meet the requirements of the Punjab's town-dwellers for three months. It is by purchases such as these and the opening of fair price shops in Bombay and elsewhere that the authorities are most likely to outwit the machinations of country and town dealers, who in the countryside are often also moneylenders to the cultivators and the only convenient buyers of their small crop surpluses. But the dealing aspect is only one side of the problem. What was said in the Simon Report twelve years ago is still true to-day, namely, that there is little incentive for the rural cultivator to add to his wealth by producing more than he requires for the immediate needs of himself and his family. No doubt the war has made some difference, in that local rather than distant demand has much increased; but, on the whole, the economic incentive will not play so strong a part in stimulating output for sale as it does in the west.

Small Holdings

One consideration limiting incentive is the break-up of holdings in a country which is essentially one of small holdings. A special enquiry some years ago in 2,400 villages in the Punjab showed that 18 per cent of the owners' holdings were under one acre, 25 per cent were between one

and three acres, 15 per cent were between three and five acres, and a further 18 per cent were between five and ten acres. These figures would be on the high side for India as a whole, for the number of cultivated acres per cultivator in the Punjab is about nine, which is three times as much as it is in the United Provinces, Bengal and Bihar. Even in the Punjab, it is estimated that Rs. 30 (45s.) per acre is considered sufficient capital for farming, against the £15 which was quoted as one pre-war figure for Britain. But the holdings, small as they are, are not in solid blocks. If a father owning three isolated fields of one acre each, and leaving three sons, dies, the sons do not take one field each, but one-third of each field. There are innumerable cultivators whose total holdings amount to one acre or less, and even these tiny areas are often split up into a number of disconnected fragments; not infrequently, some of the component parts are so small that the owner cannot cultivate them without trespassing on his neighbour's land. In the Ratnagiri District of the Bombay Province, there have been individual plots as small as 1/160th part of an acre. Strenuous efforts are being made to secure the realignment of holdings. They have met with some little success, notably in the Punjab, but a vast amount remains to be done.

Moreover, on these Indian farms are some 13 million wooden ploughs. The indigenous plough serves the purpose of plough, harrow and cultivator, and is combined with a levelling beam. Harvesting is performed with the sickle. Grain is separated by treading out with oxen or beating out by hand, and winnowing is done with the help of the wind. The average farmer's stock of seed has often disappeared by the next sowing season, because it has been sold or eaten by the family, and he may have to borrow grain, usually of a poor standard, from the local grain-dealer at a high rate of interest.

Better methods of farming and the still greater use of improved seed, available through the Provincial Governments' Agricultural Departments, would do something to remove the disparity in yields compared with other producing countries. The average yield of rice per acre in India in 1938-39 was 731 lb., compared with 1,481 lb. in the USA, 2,307 lb. in Japan, 2,079 lb. in Egypt and 3,000 lb. in Italy. Before the war, where Germany was producing 22.6 quintals of wheat per hectare and Great Britain 20.6, the figure for India was only 7.

All this is not to minimise the valuable work done by the Indian Agricultural Departments nor the success achieved in persuading cultivators to turn from one crop to another. If the knowledge these departments have gained were fully applied by all the cultivators of India, an agricultural revolution would follow. It is due to them that even now so much relatively has been achieved.

Inflation in Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

October 19th.

DURING the two anxious months that elapsed between Rommel's capture of Tobruk and his failure to overcome British resistance at El Alamein, Palestine's currency in circulation rose by almost 30 per cent, and the banks experienced another run, the fourth in three years of war. These periodical crises in the credit system have been aggravated by the absence of a central bank, which would offer rediscount facilities, and they are the chief reason for the high liquidity which the local banks have to maintain. But the intensity of these crises is diminishing. In August-September, 1939, deposits fell by about 30 per cent, and currency in circulation rose by two-thirds. A general bank holiday was proclaimed, in spite of which several institutions failed. The disasters of the summer of 1940 again brought a withdrawal of some 25 per cent of deposits, and money in circulation soared by a third. But the withdrawal of deposits after the conquest of Greece and Crete did not exceed 8 per cent, the rise in money in circulation was only about 15 per cent, and the effect was but to prolong for some months the period of credit contraction. This time again, though the absolute rise in the currency in circulation has been greater even than at the outbreak of war, the total of banking deposits did not materially change, and the results on credit policy were negligible.

This improvement is partly due to the increased confidence in the banking system, which has been able to withstand such serious shocks. Moreover, the weaker institutions have been eliminated, and the smaller ones, with a paid-up capital of less than £P25,000, have been deprived of the right to keep deposits for current account by an

ordinance dating back to 1938, but only gradually enforced. Out of 53 banking institutions registered in 1938, and 77 in 1936, there are now only 25 remaining, of which four are big "foreign" banks operating in Palestine. Two of the local banks are Arab, and the rest are Jewish, as well as almost all the highly developed 85 co-operative credit societies. But not more than about 12 per cent of total deposits are entrusted to local banks, and another 5 per cent to the credit societies. The remainder is almost equally divided between the "foreign" banks, among them Barclays Bank (DC and O), which acts as bankers to the Government and the military authorities, and the Anglo-Palestine Bank, which is included with the "foreign" banks chiefly for historical reasons. The latter has come to be regarded as something like a central bank for the Jewish financial sector, and it keeps between 40 and 50 per cent of its resources in gilt-edged securities as an emergency reserve.

It must also be borne in mind, however, that banking deposits have not risen to the same extent as currency in circulation. They amounted to £P20 millions in July, 1939, and over £P24 millions in July this year, but the total of notes and coin in circulation rose from slightly over £P5 millions in normal times to about £P21 millions now. Obviously, the fluctuations in banking deposits cannot be of the same importance as when the latter were three or four times as great as the money in circulation. On the other side must be put the fact that the general price level has more than doubled, the physical output of the country is on the increase, and the circulation inflated by the presence of troops, while about 40 per cent of the circulation is presumably being hoarded either from panic or by the fellahin, who are not yet used to banking facilities. Contrary to previous experience, it is, therefore, the money in circulation which is at present likely to influence the accumulation of deposits.

Decline in Bank Loans

The same applies to credit. Total outstanding advances and bills (of banks and co-operative societies) were £P13.8 millions in July, 1939, and £P11 millions in July this year, notwithstanding the rise in the turnover of money. In fact, the banks are complaining about the continuous decline in the demand for loans. Wholesale trade is much reduced, and to a great extent taken over by Government agencies. Building and military orders are also financed from Government resources. Industry and agriculture, which in pre-war times were encumbered with debt, are now able, not only to meet their current needs, but also to invest new capital in extensions. It should be added that trade in general has been put on a cash basis, and that credit for private needs, which in pre-war times had been a substantial item, has since been much curtailed.

There has long been much talk about inflation, but until recently the import of capital was to a great extent neutralised by the relatively great import of goods—the value of imports in the first half of 1942 was £P11 millions, against £P5 millions in the first half of 1941, and £P8 millions in the same period of 1939—by the repayment of former indebtedness, and to some extent by increased taxation. But these factors no longer suffice, and liquid capital is accumulating at the rate of about £P1.5 millions a month. The rate of interest is on the downward trend, security prices have almost reached their pre-war level, and there is a rush to the real estate market, where prices are still rising. Moreover, this tendency has coincided with a new rise in commodity prices, following the shortage of most agricultural products.

The need to arrest this impact of money on a market where the supply of goods for civilians is diminishing has been stressed by many quarters, and Government policy has been criticised for being too liberal. But the chief difficulty seems to lie in the problem of coping with the rural population, which has considerable influence on local economy, on the supply as well as on the demand side.

Production in the Congo

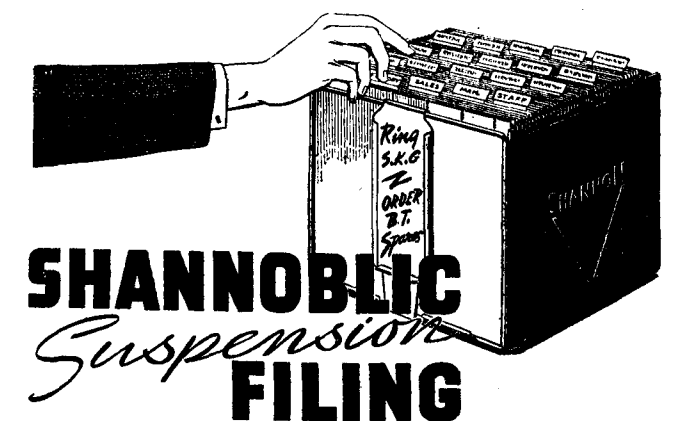
[BY A CORRESPONDENT]

January 12th

At a recent Press Conference in London, M. A. De Vleeschauwer, the Belgian Minister for the Colonies, who has just returned from an official visit to the Belgian Congo, quoted for the first time some figures on current production in the colony. He stated, *inter alia*, that the present copper

output is at a rate of 160,000 metric tons per annum, and could be raised to 190,000 metric tons if additional supplies of equipment were available. Tin production has now reached 21,000 tons per annum, and, on the basis of present schedules, is to be raised to 35,000 tons by 1945. The Congo rubber output is at present running at an annual rate of 6,000 to 7,000 tons, and it is hoped to raise this total to between 15,000 and 20,000 tons before 1945. In palm oil, 80,000 tons per annum are now being produced, and here also production is to be further increased, although in agricultural production a number of unknown quantities—climatic conditions, possible pests, etc.—enter the picture. M. De Vleeschauwer added that in a number of other commodities, such as industrial diamonds, cobalt, copal, textile fibres and cocoa, production has reached capacity levels, but he quoted no definite figures.

Nevertheless, the above data are clear indications that the raw materials of the Congo are being developed to the utmost in order to meet Allied war needs. For copper, the present rate of production exceeds the past record figure of 1937 by some 10,000 tons. For tin, current production is more than twice as large as the 9,663 tons supplied in 1939—the record figure for the pre-war period. For rubber, the annual production in the past ten years had never exceeded 1,300 tons, so that current production is something like five times as great, and for palm oil, current production is about one-fifth in excess of the pre-war record reached in 1937. These remarkable increases deserve particular praise, as the German occupation of Belgium has completely disorganised the normal trade position of the colony and has, in particular, deprived Congo producers of their main source of equipment and skilled labour. As regards white labour, the Congo Administration has taken a number of steps in recent months to prevent any adverse effects on current production. In important cases, technicians have been transferred to other places of employment, especially in the mineral industries. The position regarding supplies of equipment is far more difficult. Here the Belgian colony looks to Great Britain and the United States for more help. Since all supplies of strategic materials produced in the Belgian Congo go into the United Nations' pool, and since the Congo has proved by its current pro-



Puts vital information at your fingertips

Shannoblic folders never slip under or ride up because they hang on a metal frame. The hangers carry the weight. They are easily removed and replaced. Large, angled, celluloid tabs, adjustable to one of five positions, allow flexibility of indexing and give immediate identification of folders. Shannoblic Suspension Filing will fit YOUR filing cabinets and desk drawers. Let us send you details.

Or the Shannoblic Desk Top Unit, a rigid all-metal frame with 20 Shannoblic Suspension Folders, is ideal for use on war-time emergency desk tables or as an extra desk top filing drawer. Price complete, 37/7 quarto, 42/7 foolscap, including Purchase Tax. Post free in Great Britain only.

To comply with Paper Control Order 48, please send 1d. postage stamp for leaflet.

Shannon

IMPERIAL HOUSE (Dept. C.5), 15-19, KINGSWAY, LONDON, W.C.2
And at Birmingham, Bristol, Liverpool, Manchester, Newcastle, Glasgow (Agent)

duction that it is both anxious and able to utilise its available resources to the full, it is to be hoped that the required equipment will be forthcoming.

Although the contribution of the Belgian Congo to the Allied war effort is mainly one of supplies, it is not confined to this. M. De Vleeschauwer mentioned that, despite the

shortage of manpower, a Belgian Congo army took a successful part in the Abyssinian campaign. This army is now under the command of the British Forces in West Africa. Since the latest changes in French West Africa, it has been freed for other operations and expects to be used in more active campaigns on the African continent.

Russia at War

The Urals in 1942

LAST year was one of enormous expansion in the industries of the Urals. Towards the end of the year, the Soviet press published a number of reports which gave some glimpse of the scope of the work performed. It would appear that the bulk of the heavy armament industries has been concentrated in this area. In 1942, the output of the Urals' machine tool and metal manufacturing industries accounted for not less than 70 per cent of the total industrial output of the Urals. The corresponding figure for 1941 was only slightly over 40 per cent. A year ago, the Urals were primarily a metal extraction area; now engineering and metal working have become the foremost industries—they account for more than two-thirds of the whole output.

This change in the composition of the Urals' metal industries has undoubtedly been a remarkable achievement. Under normal conditions, no such change could possibly have been effected within one year. But the increase of metal manufacturing and engineering from 40 to 70 per cent is explained by the fact that the Urals have absorbed by far the largest proportion of the evacuated engineering plants. In the light of recent reports, it seems that a considerably smaller proportion has gone beyond the Urals, to Siberia. The reports have mentioned among the plants transferred to the Urals the iron and steel works of Mariupol and Kerch, and the machine building factories of Kharkov and Rostov, besides other plants, such as the giant Kirov plant of Leningrad and factories from Kiev, Moscow and Dnepropetrovsk, the location of which was known previously. Given this massive scale of evacuation to the Urals, the increase from 40 to 70 per cent is not very surprising.

Iron and Steel

The expansion of the old-established iron and steel works also made headway in the past year. The director of the famous Magnitogorsk Iron and Steel Plant states:

Last year our giant was growing at a rate of which we never even dreamt in peace time. There is not a single workshop in this plant which has not been reinforced in the course of the past year with new installations of first-rate capacity and technical perfection. . . . As a result of a speedy construction and launching of new equipment, output in the second half of 1942 increased by 24 per cent, and output of rolled metal by 34 per cent. This increase alone constitutes a doubling of output of all Urals plants before the revolution.

The percentage figures are very impressive, though they are much below the optimistic monthly records of "socialist emulation." They are, however, too vague to allow any safe estimate of current production. The following table gives the figures for the Urals' output of iron and steel before the revolution and after the completion of the Second Five Year Plan.

THE URALS' PRODUCTION
In millions of tons (round figures)

	1913	1938
Iron ore	1.8	7.7
Pig iron	0.9	2.6
Steel	0.9	3.5

A calculation of current production based on this table and on the percentage of increase mentioned above would put current output at about 7 million tons of pig iron and steel and at 14 to 15 million tons of iron ore. But a calculation of this kind is, of course, open to several objections.

The production of arms and ammunition in the Urals is claimed to have been doubled or even trebled in 1942. The important Sverdlovsk centre in the Northern Urals is credited with having doubled output in the first six months, and with having repeated the achievement in the second half of the year. The question arises, how the gap between so high an increase in the production of arms and the

much lower increase in the output of iron was filled. At the New Year, the armament workers of the Urals pledged themselves to double the production of weapons and munitions again in the course of this year. (The press published this pledge in the form of a letter from the Urals workers to Stalin, signed by nearly one and a-half million persons.) Almost simultaneously, urgent appeals to intensify the collection of scrap iron appeared in the press, appeals which had been absent since last spring.

The output of non-ferrous metals has also been greatly increased. The Urals are rich in nickel and chrome, mined in the Orsk region, and in manganese and bauxite worked at Magnitogorsk; copper is abundant in the Degtyarki region. Even so, there have been great technological difficulties to overcome.

Contrary to pre-war ideas, it has proved quite possible and sound to smelt ferro-manganese from poor manganese ores in large blast furnaces fully using valuable gases. Our workers have fully mastered the method of smelting high-quality steel in large open-hearth furnaces for the production of the most perfect types of arms. Operating the same machines as before, we now roll over 25 brands of metal needed for defence purposes.

The Pace of Building

The construction of new industrial buildings has expanded by over 300 per cent during the past year. The shortage of building materials has been acute, as most of the Russian cement works were concentrated in the territories captured by the Germans. It is only natural that most of the new constructions should have been built in a make-shift manner to meet the most pressing requirements of the moment. The press has published many instances of an almost fantastic tempo in building. The speed in the mobilisation of building materials and of labour for urgent constructions has been facilitated by the very high degree of concentration in the building industry. The People's Commissariat for Building has allocated all building work to a few trusts, each of them responsible for a large industrial area. Two such trusts are known to operate in the Urals. One of them, the *Yoush-Ural-Tyazh-Stroi*, is responsible for all the heavy constructions in the Southern Urals. This trust is apparently "attached" to the non-ferrous and steel industries of the Orsk region. Another trust, the *Tepl-Stroi*, has been responsible for building in the central and probably also in the northern Urals. It was this trust which built the new giant Magnitogorsk furnace within five months (see *The Economist*, December 19, 1942, page 770), as well as another large furnace at Chusovaya opened only a few days ago.

Living Conditions

The Urals have become a "melting pot" for the masses of workers evacuated from the western provinces. The authorities do their utmost to encourage them to settle down in the Urals for good. "Ural-mindedness" is being fostered among the many Muscovites, Leningraders and Ukrainians whom the fortunes of the war have brought to Chelyabinsk, Magnitogorsk or Sverdlovsk.

Meanwhile, lack of housing and some food shortages have rather severely affected the workers in the Urals. Some towns have increased their population ten and fifteen fold; new works were frequently started literally in the open air with no housing accommodation in the neighbourhood. Towards the end of 1942, the position was easing. Newly erected workers' settlements could already absorb many of the evacuees and newcomers; but, naturally enough, there is still overcrowding in most places; and it will take time before more tolerable housing accommodation can be provided. The food position has forced every large-scale enterprise to care for its own "food-base." Most factories have developed their own farms. A report from one of the largest and most modern tank factories in the Urals gives some idea about the scope of this farming. The factory's farm has 4,500 acres of sown area, 1,000 cows and 1,600 pigs.

THE BUSINESS WORLD

Tax Reform Proposals

WITH the date of the next Budget only some three months off, it is not surprising that the FBI should have submitted to the Chancellor of the Exchequer another memorandum suggesting reforms in taxation. Its claims are based on the contention that industry must, for a time at least, be financed by retaining profits within businesses:

As the nation may have to face after the war a long period of high taxation, industry may no longer be able to rely on outside sources for finance.

On this somewhat flimsy assumption, the FBI makes a number of suggestions some of which are in themselves quite laudable. They deplore the high rate of EPT and the inability of the Government to reduce it; and they propose that the Board of Referees should be empowered to grant standards up to 8 per cent—or 10 per cent in director-controlled companies—where concerns have to work on a substituted standard, based on a percentage of profit. The existing maxima are 6 and 8 per cent, respectively, and there seems no reason in equity why the rates should not be increased to the maxima mentioned, which are those for new concerns and newly introduced capital. In a small way, it would introduce a greatly needed element of elasticity into EPT.

The main suggestions of the memorandum, however, are concerned with income tax. They are, briefly, two: that allocations to reserve should be taxed at less than the full rate, and that tax relief should be granted in respect of all assets used up in production or in trading. (Particular reference is made to freehold property, leasehold premises, cost of patents, trade marks, designs and the residual value of assets not replaced.) An article in *The Economist* on January 2nd showed what the Inland Revenue does allow for depreciation. The conclusion was reached that the system has many shortcomings; and it is hoped in a later article to sketch the outlines of a positive plan for encouraging the replacement of the physical capital of industry much more rapidly than has hitherto been usual in this country. Whether concessions could properly be extended

to the full list of imponderables suggested by the FBI is another matter. There are grave disadvantages, for instance, in the present system of patents, as two recent articles in *The Economist* (on January 16th and 23rd) have pointed out; and the same considerations apply, in some measure, to such rights as trade marks and designs, at least insofar as these exist to perpetuate the demand for existing goods, to the exclusion of improvements, by the same makers or others. The general principle of using the machinery of differential taxation to direct, stimulate or, if need be, retard the flow of new investment is admittedly desirable. Indeed, it is perhaps one of the best means to these ends, and for some industries at some times this policy might well be taken far beyond anything suggested by the FBI. But it is a policy which could only be applied, without a very large measure of Government control, to industries where a sufficient degree of competition exists to ensure that the benefits of new equipment were passed on to the consumer. It is the benefit to the community which ought to be the criterion whether a concession is permissible or not.

Coupled with this proposal for an extension of depreciation allowances, the claim of the FBI that

the retained profits of the business taxpayer should be granted some relief from taxation subject to necessary safeguards, seems in part to ask for the same thing twice over. The "safeguards" appear to refer, only to the need to make sure that the full rate of tax is paid if the profits retained are subsequently distributed. What is intended, presumably, is that allocations to reserves, beyond those already relieved of all tax, should bear less than the full rate. Insofar as these further allocations are intended only to cover the additional cost of maintaining the physical capital, there may be a strong case for a differential rate of tax. Indeed, under the scheme adumbrated above, allowance would be made for any disability which a company would suffer from a rise in the price of the goods it required, provided always that the indications were that the volume of physical capital of that particular industry should be maintained.

WILLIAMS DEACON'S BANK LTD.

(Member of the London Bankers' Clearing House.)

PRINCIPAL LONDON OFFICES:

20 BIRCHIN LANE, E.C.3

9 PALL MALL, S.W.1

PRINCIPAL MANCHESTER OFFICES:

MOSLEY STREET

ST. ANN STREET

OTHER OFFICES THROUGHOUT LONDON, LANCASHIRE, YORKSHIRE, CHESHIRE, DERBYSHIRE, STAFFORDSHIRE AND NORTH WALES

CAPITAL ISSUED	£ 8,125,000
CAPITAL PAID UP	1,875,000
RESERVE FUND	1,000,000
CURRENT AND DEPOSIT ACCOUNTS	70,405,484
CASH IN HAND AND AT BANK OF ENGLAND	7,531,616
BALANCES WITH, AND CHEQUES IN COURSE OF COLLECTION ON, OTHER BANKS IN GREAT BRITAIN AND IRELAND	5,003,976
MONEY AT CALL AND SHORT NOTICE	5,867,260
BILLS DISCOUNTED	2,147,970
TREASURY DEPOSIT RECEIPTS	17,500,000
INVESTMENTS	23,028,872
ADVANCES	11,320,718

31st December, 1942.

But to suggest that all money retained for investment in the business should be granted a lower rate of tax would not serve the best interests of the country, either in the immediate post-war period or in the longer run.

There is a large and influential body of opinion which holds that *all* projects for the extension and replacement of capital should be subjected to the various sifting processes which went on in the pre-war capital market—and whose efficacy would be greatly improved by the publication of really informative accounts. Whether it is desirable to go as far as this or not, it is clearly most dangerous to grant to existing concerns, irrespective of the secular trend in the industry in which they operate and the shorter term needs of the post-war situation, a definite encouragement to expand. On the basis of the FBI's assumption, quoted above, it would mean that only existing concerns would have any disposable capital, clearly a most undesirable state of affairs. This is especially so in existing circumstances when such a measure would give to concerns who happen to be able to make a contribution

to the war effort an advantage over those who cannot—again irrespective of post-war needs and of their relative efficiency.

It is certain that the physical capital of the country must be run down by total war. It is virtually certain that, under a regime of 100 per cent EPT, even with a contingent refund of 20 per cent, less tax, cash resources will be far below the level required to effect replacement and adaptation, at the higher level of prices likely to prevail. It is, however, even more certain that for some considerable time it will be not cash, but priorities which must count. And the priorities must be allocated according to the dictates of the reconstruction programme. It seems that, as it is, there will be gross inequities arising from the differing degrees of liquidity between individual firms and, possibly, whole industries. But these might easily be adjusted in a sense quite opposite to the real requirements of the community—at least in the post-war reconstruction period—by a system of indiscriminate relief in taxation on allocations to reserve such as the FBI suggests.

Finance and Banking

Wider Credit Base

Although most of the clearing banks have been making up this week for their January returns and have, in consequence, been calling funds from the market, there has at all times been an adequate supply of credit. The position was eased by the fact that no TDR payments were expected from the banks this week, this being the first break in such payments since the first week of October, 1942. The current nominal maturities amounted to £15 millions. Treasury bill maturities should also have helped, being £10 millions in excess of new payments. A large part of the recent maturities of Treasury bills have, however, been in official hands, having been acquired by the special buyer before the turn of the year and, again, in the mid-January spasm of stringency. The maturity of these bills is in part reflected in the fall of £7,190,000 in Government securities revealed by the latest Bank return. The effect of this movement on the volume of bank cash has been more than made good by a combination of other influences. The most important is the continued clearing of vested India stock warrants, which is reflected in a further reduction of £6,744,000 in other accounts. In addition, the draining of public deposits has gone to new record lengths this week, the total of this item falling by £4,762,000 to the exceptionally low figure of £4,745,000. Further help has come from an end-month increase in other securities, while the return of £1,320,000 of notes from circulation has also contributed to the building up of bankers' balances to £175,857,000.

Bank Credit in 1942

The expansion of bank credit in 1942 showed a considerable diminution on the pace maintained in the previous year. The deposits of the eleven clearing banks rose by £299,466,000 last year, compared with £529,186,000 in 1941. This comparison must not be taken as evidence of a slackening of deficit financing and of other forces making for an inflation of credit. The main explanation of this seemingly favourable development is provided by the absorption into tax reserve certificates of funds which, in large part, would otherwise have remained on deposit at the banks in anticipation of tax payments. As the amount of tax reserve certificates outstanding increased by £453 millions over the year, it will be seen that the forces making for credit expansion lost little, if any, of their strength over that period. The expansion in deposits over 1942 is overstated in the composite balance sheets to the extent of £24,011,000, this being the amount by which cheques in course of collection and transit items at the end of 1942 exceeded the comparable figure at the end of 1941. The growth in bank credit last year derives from the banks' increased holdings of Treasury deposit receipts, investments and Treasury bills—in that order. TDRs are £137,500,000 higher at £895,500,000, while investments have risen by £121,591,000 and bills discounted by £26,437,000. The higher bill portfolio is a reflection of the increase in the issue of Treasury bills via the weekly tender which began last October and which, by the end of the year, had raised the "tender" issue by some £70 millions compared with the end of 1941. On this evidence, the banks do not appear

to have obtained more than a small proportion of the additional Treasury bills which were put into circulation for their special benefit. It must not, however, be forgotten that the banks' holding of commercial paper declined appreciably during the year, those banks which differentiate in their balance sheets between Treasury and other bills showing a reduction of about 50 per cent in the holding of the latter. It follows that the banks' Treasury bill holding rose by rather more than the indicated increase in the bill portfolio. Advances continue to fall, their total at the end of

(In £ millions)						
	Dec. 1941	Aug. 1942	Sept. 1942	Oct. 1942	Nov. 1942	Dec. 1942
Capital and reserves	140.3	140.3	140.3	140.3	140.3	140.9
Acceptances, etc.	111.1	88.8	90.7	90.2	92.4	93.1
Notes in circulation	1.5	1.5	1.5	1.5	1.6	1.6
Current, deposit and other accounts	3,329.1	3,304.6	3,358.2	3,424.3	3,471.9	3,628.6
Total liabilities	3,582.0	3,535.2	3,590.7	3,656.3	3,706.1	3,864.2
Cash	365.9	351.3	349.1	350.1	366.7	390.4
Cheques, balances, and items in transit	162.0	112.8	116.8	117.5	120.6	186.2
Money at call	141.3	133.2	126.8	136.1	134.6	142.2
Discounts	171.3	283.4	276.5	270.5	241.2	197.5
Treasury deposit receipts	751.0	634.0	693.0	744.0	803.5	895.5
Investments	998.6	1,081.5	1,096.7	1,108.2	1,117.4	1,120.2
Loans and Advances	806.7	783.5	774.4	773.0	763.0	772.8
Investments in affiliated banks	23.8	23.8	23.8	23.8	23.8	23.9
Cover for acceptances, premises, etc.	154.6	131.7	133.6	133.1	135.3	135.5
Total assets	3,582.0	3,535.2	3,590.7	3,656.3	3,706.1	3,864.2

the year being £33,924,000 lower than at the end of 1941. The factors responsible for this movement are those which have been at work ever since the early months of the war; in particular, the smoother operation of the system of progress payments to Government contractors by the various supply departments has made war industry less dependent than ever on bank credit. The cash position remains nicely adjusted to the figure required to underpin the required volume of deposits, and the cash ratio on December 31st last stood at 10.76 per cent, compared with 10.99 per cent a year previously.

Unifying American Sterling Accounts

Arrangements have been made to simplify the conditions governing sterling accounts held in this country for United States residents. Apart from special categories, to be noted later, these accounts have since July, 1940, consisted of three groups. In the first place, there are "registered" accounts. These are opened almost exclusively in the name of banks and represent sterling which is freely convertible into dollars at the official rate. Secondly, there are "sterling area accounts" opened in the name of individuals resident in the United States but having certain payments—usually of a regular periodic kind—to make in this country. Thirdly, there are the "old" or "free" accounts. These represent sterling of the pre-July, 1940, variety which is available for meeting obligations of at least that vintage and which can only be converted into dollars at the free sterling-dollar rate of exchange. As

from February 2nd next, these three categories of sterling accounts are to be merged, and all will rank as "registered" accounts. This is obviously a considerable gain to the holders of US sterling area and "old" accounts who hitherto have had no guarantee of convertibility of their sterling into dollars at the official rate. The free market rate for sterling in New York had recently been hovering around \$3.50, having fallen to that level in what had become an extremely narrow and at times almost nominal market. The disappearance of this market, and the "phony" rates which have at times been quoted in it, represent one of the advantages which this country should derive from the new arrangement. The new regulations leave unaffected the blocked sterling accounts maintained in the name of US residents and sterling accounts kept in the books of British traders for US holders. The blocked accounts represent the proceeds of liquidation of certain capital assets, and will continue to be available for re-investment in certain types of sterling securities. The sterling held here for American film companies will also be unaffected by the new arrangements.

Currency in Tripolitania

The monetary arrangements that have been introduced in Tripolitania following the British occupation of the capital were prepared well in advance. Not only was the eventuality for which they were elaborated long and confidently expected, but the precedents for all the technical details had already been worked out with the occupation of the Italian East African territories. The monetary circulation in Italian North Africa consists of Banco d'Italia lira notes and of small token coins. This lira currency will continue in circulation, though it is to be expected that there will be some stamping of the notes in order to differentiate them from those circulating in Italy itself. It should be noted that the Banco d'Italia note circulation has covered metropolitan and colonial Italy without any discrimination between the issues serving these various territories. The local currency in Tripolitania will be supplemented by British Military Authority notes which will serve the requirements of the occupying forces. These notes are similar to those taken by British troops into French North Africa. They are

sterling notes, and the rate of exchange fixed for them is 480 lire to the £. This is the parity fixed in other Italian colonial territories already occupied by the British. This rate of exchange compares with a figure of 68 lire to the £ quoted when Italy entered the war. The official rate had for many years given a highly flattering value to the lira, and in the black market in Italy the rates quoted for sterling and dollar in the immediate pre-war years had approached fairly near the conversion figure which has now been fixed in Italian colonial territories. The existing branches of Italian banks in Tripolitania will continue to serve their considerably diminished Italian clientèle, but it is evident that additional banking facilities will have to be provided to serve the needs of the occupying troops and authorities. Hitherto, Barclays Bank (DC and O) has followed closely on the heels of the armies which have overrun the Italian African Empire. It seems a fair guess to assume that it will be operating in Tripoli before long.

Anglo-International Bank Capital

It has been announced this week that shareholders in the Anglo-International Bank are to receive a capital repayment of 5s. for every share of £1 held. The nominal value of the shares will thus be reduced to 15s. each. There are 1,960,008 shares in issue, and the repayment will involve a sum of £490,002. The repayment was foreshadowed by the chairman of the bank in 1941, and represents a considerable step in the liquidation of this institution. The latest balance-sheet shows a holding of cash and British Government securities amounting to £669,033. As against this, there are liabilities of £142,411. These are for the most part owing to European customers which cannot be dealt with while the war continues and present regulations exist. It is, however, necessary to provide for their discharge in due course, and this explains why the proposed return of capital falls well short of the available resources. When the capital repayment is completed, and allowance is made for discharging liabilities to customers, there will remain some £50,000 in liquid assets. In addition, there are frozen assets of unknown value which are included in the balance-sheet at £739,105. Most of these represent claims on customers in Germany, and countries occupied by Germany, and are relics of the Standstill agreements.

Investment

Break-up Values

Although some of the indices of stock exchange values continue to show almost daily rises, there can be little question but that the last few days have seen a falling off in both activity and firmness over a considerable field. There are a number of exceptions. Home railway equities are enjoying a renewed upswing, while a number of international shares, mostly of companies domiciled in Canada, have shown further sharp advances, increasing the discrepancy between quotations in London and New York. These rises are mostly of a speculative character, in that they evidently discount a return to more normal powers over the distribution of gross earnings after the war. It is not possible, however, to say that they are unreasonable on that account. Another group of rises, of which the recent appreciation in some shipping shares is typical, is based on the re-emergence of the break-up value argument. This phenomenon was seen at its height in Continental Europe during the period of acute inflation. It was then fashionable to argue that, since the replacement value of assets was rising in a fantastic manner, equity shares should keep in step. There is a sound argument—in the absence of highly differential taxation—for supposing that equity shares will constitute a fairly efficient hedge against inflation, but it rests on the rising prices, not of the assets of the company, but of the goods which it will produce. Only if continued production can be assumed is the rise in equity shares justified. On any large scale, break-up values can never be realised. In a general way, it is earning power, and not asset value, which counts. Even if the assets are entirely in cash and Government securities, this contention remains, broadly speaking, true, for it will seldom be the intention of the directorate to distribute the assets. In the particular problem of the moment, it may be of great value to have command over a large volume of liquid resources when the war ends. It would, however, be even more valuable, one would sup-

pose, to have the certainty of receiving priority of allocation for the purposes one has in mind. Nor is the fact that the current cash value of liquid assets exceeds the market valuation of the share to which they are applicable, a certain assurance that share values should rise. Even if it is possible for the enterprise in question to enter an industry where the secular trend is upward, there is no guarantee that the knowledge and skill which have brought success in one industry can be employed with equal benefit in another, while there is great danger that those in charge will feel that they can achieve this difficult task.

Monopoly by Patent

The arrival in this country of a synopsis of the judgment in a recent case in an American Federal District Court makes possible a useful footnote to the articles on patents appearing in *The Economist* on January 16th and 23rd. This was a case brought by the Attorney-General against nine of the leading glass container manufacturers under the Sherman and Clayton Anti-Trust Laws. In his decision, Judge Frank L. Klobb stated that the principal defendant, with the co-operation of one or another of the associated concerns, had pursued a plan whereby,

through threats of litigation backed by the financial power it controlled, by litigation beyond the dreams of the average man, through the acquisition of patents and businesses of competing devices and firms at a great outlay of money, it has corralled within its possession and control an aggregation of all the patents that pertain to the gob feed process in the manufacture of glass—one of the two automatic processes whereby glass containers may be made.

He went on to say that this aggregation had been strengthened by acquiring patents for other devices; that patents were discarded or shelved, having been obtained solely with the object of eliminating competition, and that

the association was an unholy alliance designed by the parties to attain selfish objectives at the ultimate expense of the public. The result, he said, is that no one can engage in the manufacture of glass container ware without applying to the association, which has consistently refused licences to new enterprises. The net result is a complete domination of the industry, so that prices to the consumer may be raised beyond all reason. The judge gave instructions, which if carried out would break up the ring, but the case will be taken to the Supreme Court, whose decision will be awaited with interest. This is the effect of the patent law in the American background. It is possible to point to a number of differences in law between America and this country, and, if one only read the laws, it would be possible to suppose that such things could not happen here. This is a delusion. Against a background of laws and policies which makes it possible for industrial groups to combine to extract a higher profit per unit from the consumer, the patent laws afford no protection, especially where there is no power vested in Government to bar practices which lead to monopoly. There is every reason to suppose that development in this country has been, and continues to be, parallel to that in the USA. But the British public is seldom treated to a case of this magnitude, because of the tacit agreement among manufacturers. When some unfortunate, who sees his business threatened with eclipse, wishes to protest, he is seldom able to face the huge expenditure and delay which such an action involves. Direct anti-trust legislation is not the most hopeful method of attack. It is necessary to abolish all privilege, or at least to reduce it to dimensions when it serves the organisation of plenty.

Protecting the Shareholder

More than once in recent months, when commenting on company reconstruction schemes, *The Economist* has suggested the need for some permanent machinery for advising the investor. While admitting the efforts of private individuals to assist the shareholder, no one who has studied these efforts can deny that the advice is not always good, however well-intentioned; that a great deal of time and energy is wasted through a lack of appreciation of the technical problems involved, and that the committees appointed commonly do not carry great weight, with either shareholders or company directorates. It is evident that, without some extensive organisation, people of the requisite standing and experience will not take up the cudgels on behalf of the unfortunate. The need for some such protection will, however, grow, if the ownership of industry is to remain in private hands, and it seems reasonable that the institutions principally concerned should get together to provide it. The Stock Exchanges, as providing the market, the Institutes of Company Secretaries and of Chartered Accountants, and the Association of Incorporated Accountants, are all interested to the extent that the good repute of joint stock finance redounds to their own credit, while the Board of Trade has a general responsibility for seeing that the law is not defeated. If there should ever again be a closely knit and enduring group of issuing houses, such as the merchant banking concerns which were responsible for issues prior to 1914, that, too, could play its part—indeed, insofar as these houses are still interested, they may do so even now. It seems a feasible plan, given a sufficiency of public spirit, that each of these concerns should enlist a small panel of people of good standing who would be prepared to serve on a committee which would "vet" and pass an opinion on any reconstruction scheme which was drawn up. The committee selected to deal with any particular scheme would be able to draw on the knowledge and experience of the institutions in question, and might secure the assistance of the investment trust and insurance associations. If, despite this, they found that the information did not exist on which to base a conclusion, the shareholder would be well advised to reject the scheme, leaving the company the alternatives of ac-

cepting the status quo or supplying the information. The finance could be provided by a levy on the funds of the company—this would only need a short bill—and the necessary secretarial services could be provided, at a reasonable fee, by the Stock Exchange, London, which would in most cases have reasonably complete records. Coupled with technical reforms which it is within the power of the Stock Exchange to make effective over a period, and with a more enlightened criticism in the Press, this should quickly establish a body of practice which would render the labour of most advisory committees very light.

Whitehall Electric Scheme

Whitehall Electric Investments, a subsidiary of Whitehall Securities Corporation, has large interests in electric power companies situated in this country, in Spain and in Greece as well as indirect interests in the Far East. Its capital consists of £2,500,000 7½ per cent cumulative preference shares, on which the dividend is six months in arrears, and twice as much ordinary capital held by Whitehall Securities, on which the last dividend was 3 per cent for 1932-33. Whitehall Electric recently sold a Spanish interest, and, being unable to find suitable means of re-investing the money, proposes the following scheme. Holders of preference capital are to be repaid half in cash. There is no redemption clause, and, despite the poor shape in which the company finds itself, holders are entitled to some compensation for abandoning a right to 7½ per cent for the life of the company. Far from offering any such inducement, the directors, who in practice hold the equity, suggest a cut to 6 per cent in the interest on the remaining moiety of the capital, offering in exchange 1s. in cash and 8s. in ordinary shares for every £1 of preference capital held after the repayment. That is to say, they get rid of a liability of some £75,000 net per annum in exchange for a transfer of 10 per cent of the equity. The earnings on the whole of this equity over the past decade have been of the order of £500,000. It is disturbing to find that, in the special circumstances, the associations of the investment trusts and insurance companies have decided to accept the scheme. It should certainly not be accepted by the private investor. Granted that, in the changed circumstances, there may not, for some years, be enough earnings to cover the full preference dividend on the existing capital, there is no doubt that they will cover half of it. The equity holders will be well out of their bad bargain if they are allowed to repay half the preference at the cost of giving up a slice of the equity and continuing to pay the full dividend on the remaining preference.

Foreign Investment and the Future

By the end of 1941, the war had already assumed world proportions. There was in 1942, as the Report of the Council of Foreign Bondholders points out, only one further default, that of Siam, and for this the occupation of the country by Japan was, of course, solely responsible. The resumption of a modified service on the external debt of Paraguay and the agreement, in principle, of terms for the resumption of its debt service by Colombia, are functions mainly of an increase in the foreign exchange resources of these two countries. The Council points out that, while the revenue position of certain Latin American Governments has been prejudiced by the reduction in imports, the increased purchases made by the United States and Great Britain have greatly enlarged the exchange resources available for honouring external debt obligations. Outside Latin America and Siam, there has been no change in the foreign debt position in 1942. Looking to the future, the Council raises the issue of post-war debt service and its influence on the balance of payments. It seems perhaps a little unduly defeatist to assume that British export markets, in South America and elsewhere, must be sensibly diminished as a result of the war. But it is true that, if the volume of exports does fail to recover even to the pre-war level, the relative importance of capital investment as an element in this country's invisible exports will increase. It is too early yet to estimate the potential capacity of the belligerent and occupied countries for meeting service on their external debt, and it is highly probable that readjustment of the burden will have to be undertaken in each individual case. The most important consideration is that reconstruction loans, when they are made, should be based on patently productive enterprise and issued at rates realistically adjusted to capacity to pay.

Company Notes

Tobacco Earnings

The latest results of two large tobacco companies, Imperial Tobacco and the United Tobacco Companies (South) provide an interesting contrast. The former, which operates inside Great Britain, has, according to its preliminary statement, maintained its usual 15 per cent, tax free, ordinary dividend, and repeated the tax free 2½ per cent bonus, which last year was reduced from 5 per cent. After repeating the allocation of £500,000 to general reserve, the disclosed figure for the carry forward is some £35,000 higher at approximately £1,701,000. In the absence of any other allocations, earnings for the equity total some £7,108,000, equivalent to 18.9 per cent, tax free, the same cover as was earned a year ago. It can be estimated that the net trading profit is only some £11,000 less than the £7,978,479 disclosed in the previous year. It is highly regrettable that the company does not differentiate the sources of its income, or disclose its tax liability. The United Tobacco Company, which operates in South Africa, has failed to halt the decline in earnings which commenced in 1939, the latest fall from £1,067,225 to £851,398 contrasting with the minor reductions of the two previous years. The dividend is consequently cut from 36½ to 28½, both free of South African income-tax, covered by earnings of 36.1 and 29.4 per cent respectively. By omitting the £35,000 transfer to employees pension fund, the carry forward is £30,000 higher at £474,204. It is likely that the larger part of the fall is attributable to increased taxation, since the balance-sheet suggests an expansion of the company's activity. Stocks are some £180,000 higher at £2,439,006, and cash and debtors share equally a rise of some £56,000, the latter now totalling £688,607. A new item is the £250,000 of 3½ per cent Notes, which have probably financed the increased stocks. Possibly similar expansion accounts for the fact that net loans from subsidiaries are some £180,000 lower at £502,766. Creditors, including taxation, are almost £365,000 higher at £1,202,963, the latter factor, doubtless, accounting for the larger part of the rise. It is possible that the South African company is merely repeating the experience of the British companies in the first years of war, and it is not improbable that current conditions in the Union will enable the company to stabilise earnings during the current year, unless taxation is increased. The 10s. ordinary shares of United Tobacco at 82s. 6d. ex dividend yield £3 8s. 8d. free of South African tax, while a price of 146s. 10½d. for Imps. ordinary to yield £2 8s. 4d., also tax free, reflects considerable confidence in both companies.

Further Woolworth Setback

For the second year in succession, the net profits of Woolworths, before tax, show a marked recession, although in the latest period, the drop of £704,937 is less than half that of a year ago. For the year to December 31, 1942, the preliminary statement shows net earnings of £5,699,822 against £6,404,759. There is a saving in tax liability of only £261,370, reducing the charge to £3,295,836, so that the greater part of the setback is passed on to equity earnings, which amount to £2,143,986 against £2,587,554, representing 57.1 against 69 per cent. The allocation to staff funds is unchanged at £110,000. Thus, the total payment on ordinary stock could have been maintained at the previous year's total of 55 per cent., including a 5 per cent bonus, at the cost of some reduction in the transfer to reserve. The management has, however, prudently decided to maintain the allocation of £250,000 to freehold and leasehold reserve. Consequently, the bonus, reduced from 15 to 5 per cent in 1941, is eliminated in the latest period, and stockholders receive an ordinary dividend of 50 per cent. The carry forward, as a result of this cut, is raised from £7,057,795 to £7,076,781. In a sense, the further decline in net profits is less remarkable than the deceleration in the rate of that fall. It still remains uncertain how much of the previous year's setback was due to the provision of EPT on the peak earnings of 1940. But in so far as the reversal of the upward trend was due simply to a deterioration in trading conditions, there can have been little improvement last year. There has almost certainly been a further fall in turnover and an increase in staffing difficulties. To some extent, these may have been compensated by expansion in the scope of the store's activity outside the 3d. and 6d. price range. Clearly, the concern has not, and will not, be able to maintain gross

profits in war conditions, but the decline so far appears to have been minimised. The 5s. ordinary stock, at 58s., yields £4 7s. 4d. per cent.

Bowater-Lloyd Results

The accounts of the Bowater-Lloyd group of paper mills for the year to September 30th last show a general, though modest, recession in profits, for which the further restrictions on the output of newsprint must be held responsible. The results of the parent, *Bowater's Paper Mills*, also a manufacturing concern, are typical. Disclosed profits declined from £196,870 to £192,758. Tax required £50,000, as in the previous year, and other charges remained approximately constant. War damage, which absorbed £11,193 against £24,077, was, as in the case of all related companies except *Bowaters and Lloyds Sales Company*, again charged to contingencies reserve. Thus, earnings for dividends are slightly lower at £63,517. Following the policy of conserving resources, no payment is made on cumulative preference arrears. In the latest year, the surplus is added to the carry forward, raising it to £108,486 instead of being transferred to dividend reserve. This experience and policy is closely followed by the other two United Kingdom operating companies, *Bowater's Mersey Paper Mills* and *Edward Lloyd, Limited*, which announce total profits of £113,861 against £115,299 and of £303,864 against £310,842, respectively. In neither case is there any dividend payment. *Edward Lloyd Investment*, the holding concern controlling *Edward Lloyd, Limited*, received no revenue and incurred no expenses, being now relieved of all administrative costs, so that the undistributed balance remains unchanged at £101,746. Dividends are again paid on equity shares by *Bowaters and Lloyds Sales*, the distributing company. With a decline in income from £92,451 to £90,347, there is, however, no bonus on ordinary capital, which receives 20 against 22½ per cent, narrowly covered by current earnings. The Newfoundland operating company, *Bowater's Newfoundland Pulp and Paper Mills*, the whole of whose preference capital has now been acquired by the group, is expected to have earned lower profits in the year to December 31, 1942, owing to the pegging of the price for newsprint in the USA and the rise of material and labour costs in Newfoundland. In 1941 total receipts rose from \$2,983,000 to \$3,032,000.

Distribution Policy

The latest profit and loss accounts of the Bowater-Lloyd group make it plain that, despite the further setback to gross receipts, the directors have been successful in husbanding liquid resources. In every case liquid assets have increased, despite war damage payments and debenture redemption. It is in line with this policy that the management should announce that the relative merits of schemes for funding arrears of preference capital are being considered. The arrears to latest dividend dates amount to £442,000 gross for *Bowater's Paper Mills*, to £96,250 for *Bowater's Mersey Paper Mills* and to £486,500 for *Edward Lloyd, Limited*. The balance sheet position of all the companies appears to be satisfactory. *Bowater's Paper Mills* show a rise in net liquid assets from £305,988 to £330,033. Total reserves, including dividend reserve, stand at £1,226,470, while net loans to subsidiaries stand at £191,252 against £138,753. Clearly, the group will have to take steps to deal with the accumulating total of preference arrears before it can prove an attractive investment to the market. The pre-war results of the group were far from satisfactory, but the preference holders ought not to be asked to accept a scheme based on wartime depression. There is, thus, some reason to believe that a funding arrangement is premature. The directors themselves point out that the Government regulations of December 27, 1942, tighten still further the restrictions on the manufacture of newsprint, although they hope to make good by a wider profit margin. The acquisition of the preference capital of the Newfoundland associate, bringing control of substantially greater supplies of raw material is welcome, but not immediately relevant. Sales in the United States may be stimulated, but the position of the British manufacturing companies cannot be greatly affected. It is, of course, encouraging that the "B" debenture stock of the Newfoundland company has been converted from 5½ to 3½ per cent. The position of the group, whose wartime course has been steered with considerable skill, remains uncertain, especially as paper pulp may not have a high priority among post-war exports. Further, it is doubtful whether the trough of current production has yet been touched.

ROBSON, MORROW & UNDERWOOD are seeking two outstanding men, a Chartered Accountant and an Engineer with a University degree; both with wide commercial experience, who could be trained as INDUSTRIAL CONSULTANTS for work of National Importance; four figure salary and exceptional post-war prospects. Full particulars to ROBSON, MORROW & UNDERWOOD, INDUSTRIAL CONSULTANTS, Victoria Station House, Victoria Street, London, S.W.1.

Shipping and the War

The impact of war on shipping concerns is strikingly revealed by the report of the Alexander Shipping Company for the year ended March 31st last. Net profit, including income from investments, is practically halved at £31,806, against £60,161 earned last year. The allocations to maintenance and investment reserves, which a year ago required £15,000 in all, are not repeated on the ground that the existing reserves are adequate. Consequently, after meeting the preference dividend, £23,706, equal to 8.3 per cent on the ordinary capital, is available to cover a payment reduced to 7½ per cent against the 12½ per cent paid, and slightly underearned, in 1940-41. The shareholders are over-compensated for the reduced dividend by the distribution of a cash bonus of 5 per cent, not subject to tax, requiring some £15,000 out of realised capital profits. In his statement, the chairman, Mr C. E. Alexander, complains that the Government hire terms for tramp steamers are inadequate for the provision of depreciation and full interest payments. He hopes, however, that representations now being made by the Chamber of Shipping to the Ministry concerned will not be without effect. The balance sheet serves only to complete the dismal picture. The book value of the fleet has been reduced by a third to £199,470, while there is a jump in the holding of Government securities of £260,000 to £324,954, reflecting insurance payments. The latter, contends the chairman, are insufficient to provide replacements for lost ships owing to the rise in building costs. Further, in the absence of adequate financial incentive, the board has kept to the decision, taken last year, to defer replacements indefinitely. The reduced business of the smaller fleet is revealed by a fall in debtors and voyage accounts of some £150,000 to £122,385, while a smaller, yet proportionate, reduction has been effected in sundry creditors to £96,508. Cash has risen some £179,000 to £516,848 and there is corresponding improvement in

the liquid position of the company, surplus assets totalling some £854,000 against £486,148. As sinkings continue, and since ships are not to be replaced, revenue and dividends must inevitably decline. It is to be hoped that after the war the company will be able to rebuild and so regain its River Plate trade. In view of the admitted inadequacy of compensation payments for this purpose, the distribution of capital profits is to be deprecated. The 10s. ordinary shares at 23s. 6d. nominal yield £3 4s. per cent on the dividend from earnings only.

Dalgety Profits

In view of the spread of the war to the Pacific during the greater part of the year, the profits of Dalgety in the twelve months ending June 30th last, as disclosed by the preliminary statement, do not appear to be unsatisfactory. There is a decline in net earnings from £157,915 to £138,895, so that, with a transfer of £15,000 to staff funds as in the previous year, equity earnings are reduced from £117,915 to £98,895, representing 6.8 against 7.9 per cent. The ordinary dividend, less tax at 6s., is reduced from 7 to 6 per cent and the surplus of £8,895 is added to the carry forward, bringing it to £143,654. In the absence of the full accounts, it is difficult to say how far the setback is due to higher costs and labour shortage, to bad crop conditions, or simply to the impact of the war. The net figures are lower than in either of the two previous years, but still above earnings for 1938-39, when only 5 per cent was paid on ordinary capital. Although estimates of the 1941-42 wheat crop and of the clip were generally good, the latter was expected to be below the 1940-41 level. It is probable, however, that the disturbance to transport occasioned by the Japanese entry into the war has been the most important influence. The £20 ordinary shares (£5 paid) at 107s. 6d. ex dividend yield £5 11s. 8d. per cent, less tax at 6s.

Industry and Trade

Water Power in Scotland

The Hydro-electric Development (Scotland) Bill has now been presented to the House of Commons. It embodies the main recommendations contained in the Report of the Cooper Committee (described in *The Economist* of December 26th). A North of Scotland Hydro-electric Board is to be established, with five members; four of these, including the chairman and vice-chairman, are to be appointed by the Secretary of State for Scotland and the Minister of Fuel and Power, acting jointly, and the fifth is to be a member of, and appointed by, the Central Electricity Board. Loans raised by the Board up to the amount of £30 million will be guaranteed by the Treasury. The Board is empowered to generate electricity from water power in its area, to distribute electricity in the district, outside the areas of supply of existing authorised undertakings, and to sell electricity to existing undertakers, large power users, and the Central Electricity Board. It is postulated that in the preparation and construction of works, regard should be had to the natural beauty of the Highlands and the avoidance of injury to fisheries; to this end, amenities and fisheries committees are to be appointed. The new Board is to collaborate fully with the Central Electricity Board, by means of a joint technical committee, and it is also to collaborate in carrying out measures for economic development and social improvement in its area. Considerable controversy has arisen about the proposed legislation—notably in the *New Statesman*. It has been described as "Fascist" on the ground that it is "private enterprise masquerading as a public board," and that it is the same Glen Affric pill which Parliament refused to swallow, with a sugar coating of public control. Surely the crux of the matter lies in the choice by the Government of persons to serve both on the Board itself and on its amenities committee, who can be relied upon to safeguard the interests of the consumers and the preservation of the countryside. From an economic point of view the test will be whether electricity can be supplied more efficiently and more economically by this means than by others. The sting of the present Bill is, of course, in the tail. Its sponsors do not claim that hydro-electricity can by itself solve the problem of economic and social development in the Highlands. But provided the safeguards are applied—and Parliament must be vigilant in this respect—and viewed as part of a wider development programme, which must be centrally planned and carefully controlled, the proposal to generate electricity in the Highlands could be a step in the direction of revitalising an area which was tending to become not only depopulated, but derelict.

Supplies of Household Goods

In view of the necessarily drastic cut in the supply of household goods—pottery, glassware, kettles, cutlery, polishes, blankets, sheets, and so on—the problem of ensuring their equitable distribution has become one of urgency. It has been recognised in *The Economist* that a household goods ration, analogous to the clothes rationing scheme, which, in spite of its deficiencies, has operated successfully, undoubtedly has very attractive possibilities. Unfortunately, however, the administrative difficulties of such a scheme are likely to be greater than in clothes rationing, in spite of the fact—indeed, in part at least, because of it—that the value of the annual retail turnover is nearly twenty times as great in clothing as in essential household goods exclusive of furniture. Exclusive of carpets, furniture, and certain other items, the retail value of new supplies of essential household goods—insofar as it can be estimated from the latest census of production returns, adjusted for changes in output and prices—probably does not exceed £25 millions a year, equivalent to about 10s. per head. The new supplies of some of the articles are so small that it would be difficult to operate a points rationing scheme. Moreover, owing to the appreciable variation in the stocks of goods held by individual households, such a scheme would not necessarily ensure supplies to those who need them most urgently. To include household goods in the clothes rationing scheme would merely enable those with adequate stocks and the necessary money to buy more clothes. In short, there seems to be no facile solution to the problem at this stage. But these difficulties cannot excuse inaction. Some means must

be found to divert supplies to those who need them most; in particular, the claims of new, growing or under-equipped households and of the bombed must be met first. So far as the more durable articles are concerned, a priority system seems to offer the best solution. This method has already been adopted for furniture; it might conceivably be extended to a number of other articles, though its application is hardly practicable in the case of goods, such as polishes, or articles, like pottery and glassware, which have to be replaced more frequently. The aggregate value of the supplies of this residue, however, is comparatively small, and the labour and materials involved in slight variations in output is insignificant; moreover, the wartime designs of pottery and glassware, for example, probably act as a deterrent to anything but essential replacements. Nevertheless, even in this category, experiments to ensure distribution according to needs may yield results.

Road Haulage Scheme

Much of the work preparatory to the introduction of the new road haulage scheme announced by Lord Leathers, Minister of War Transport, last November has now been completed. Briefly, the plan, which was described in *The Economist* on November 7th, envisages the transfer of as much traffic as possible from road to rail; the concentration of the remaining road traffic on the fewest possible vehicles; and the maintenance of the reserve of laid-up vehicles in serviceable condition, available for immediate use in case of need. At first, the scheme is to be applied to long-distance traffic; but its extension to shorter distance traffic is envisaged. It is understood that between 70 and 80 road haulage firms have been provisionally chosen by the Ministry to become "controlled undertakings" under the scheme; remuneration will be on the basis of net profits during two selected accounting years between 1935-1938, with adjustments for subsequent changes in the capital employed. As soon as the necessary financial and other arrangements with the selected firms are completed, road haulage units will be set up at the main traffic centres, each based on one of the controlled undertakings. A unit will eventually consist of some 50 or more lorries and will be under a controller who will normally be appointed from the staff of the controlled undertaking. The hiring of vehicles not owned by "controlled undertakings" will follow the setting up of units. The terms and conditions of hire have been worked out. The regional transport commissioners will consider applications from hauliers, advise about the eligibility and suitability of vehicles, and arrange the grouping of the selected vehicles into road haulage units in collaboration with the divisional road haulage officers.

The Coal Bonus Scheme

The machinery regulating the payment of additional wages in the coal mining industry under the output bonus scheme is producing some curious paradoxes. For example, the average weekly national output in the four weeks ended December 26th last was the smallest since the scheme was inaugurated last September. It averaged only 3,880,100 tons, against a weekly average figure of 4,126,500 tons in the preceding four weeks and the standard national output under the scheme of 4,161,800 tons. Yet twelve districts, employing nearly half of the total number engaged, qualified for bonus payments, and the weekly amount of the additional wages to be distributed is the largest so far authorised. The explanation is to be found in the conditions governing the administration of the scheme, and particularly in the discretionary authority given to the Minister of Fuel and Power. The Minister, when deciding whether or not a district has qualified for additional payments, must have regard not only for the district's statutory returns of output, but also for what the miners might have produced if employment had not been interrupted or work impeded by recognised holidays or by "abnormal occurrences of a temporary nature." The most important of the provisions for "loading" actual output in this way is the following:

If and whenever in any district an occurrence takes place which is, in the opinion of the Minister of Fuel and Power,

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 51, 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 - £6,800,000

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. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED

9, Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000

ASSETS EXCEED - £77,000,000

CLAIMS PAID EXCEED - £140,000,000

(1941 Accounts)

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mandalay	Mombasa	British E.A.
Bombay	Delhi	Nuwara	Nairobi	
Calcutta	Kandy	Illyia	Nakuru	
Cawnpore	Karachi	Rangoon	Entebbe	
Chittagong	Lahore	Tatooine	Jinja	Uganda
		Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga	Tanganyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government) Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania, Commonwealth Savings Bank of Australia, 8,900 Agencies at Post Offices in Australia.

As at 30th June, 1942.—General Bank Balances	£181,720,500
Savings Bank Balances	164,510,500
Note Issue Department	111,000,000
Rural Credits Department	2,421,174
Other Items	20,300,571
	£480,191,345

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

TERMS OF SUBSCRIPTION
TO THE ECONOMIST

12 Months	-	-	-	3	0	0
6 Months	-	-	-	1	10	0

(Cheques to be made payable to The Economist Newspaper Ltd.)

Publishing Office:

Brettenham House, Lancaster Place, London, W.C.2

Telephone No.: Temple Bar 3316

abnormal in the course of the industry, outside the control of the workers, and calculated substantially to lower output for a limited time, he may at his discretion, and in so far as he may consider it just to do so from time to time, direct that the actual output of the district during the period or periods in which the effect of the occurrence is, in his opinion, operative shall be deemed for the purposes of this scheme to include such additional number of tons as he considers to have been lost during that period or those periods by reason of the occurrence.

The Minister is also given discretionary power to call for the intervention of a reviewing authority, consisting in each district of an independent person and three assessors to help him in the discharge of this task. It is almost exclusively through the exercise of this discretion that bonus payments in twelve districts will be payable during the period of four weeks ended February 6th next. Except in one or two of the smaller areas, actual outputs fell short of the standard figure; in the larger coalfields the shortages ranged up to 5 per cent and even 7 per cent; but outputs were raised into the qualifying sphere by the addition of the national outputs. The procedure is likely to be amended in one or two important directions. One source of trouble has been the absence of an agreed formula for the allocation of national outputs in respect of losses through abnormal occurrences outside the control of the workers, and a recommendation on a pit stoppage basis has been made to the Ministry by the Joint Consultative Committee of the industry in the following terms:

Where a pit stops winding coal before half the time of a shift has elapsed the output for the day should be "loaded" so as to bring it up to the output that would have been obtained if the pit had continued winding for the normal length of that shift; any other losses of output to be disregarded.

A request is also being made that the arrangement by which colliery owners are allowed to recover only two-thirds of the cost of the output bonus from the Coal Charges Order Fund should be modified so as to admit the recovery of the whole of the cost from the pool.

Miners' Welfare

The chairman of the Miners' Welfare Commission, Sir Frederick Sykes, recently announced that a long-term scheme is being worked out with the object of improving conditions in the mining industry generally and raising the status of the miners. The Commission, in the 21 years of its existence, has done valuable work. It has established canteens, pithead baths, clubrooms and provided facilities for miners' recreation and leisure; in architecture and design it has set a standard which industry generally might well emulate. It has also encouraged schemes for rehabilitation, accident prevention and education in both technical and general subjects. Some £21 millions, most of which has been raised from an output levy on every ton of saleable coal produced, has been spent on these purposes between 1921 and 1941. Its main work since the war has been in connection with the provision of colliery canteens; the bath building programme has temporarily been suspended. Sir Frederick gave some recent figures: By the end of 1941, 650 collieries had canteens, more than a third of which provided only packed lunches, but by the end of 1942 canteens were operating at 843 out of some 1,028 collieries employing more than 50 workers, and others are in course of preparation. This record is satisfactory, but there would seem to be room for development in the direction of improving feeding facilities in small collieries and in providing full meals. Many collieries, though nominally providing canteens, still serve only snacks or pies and tea. At the present time 207 canteens are serving full meals (as compared with 40 at the end of 1941) and a total of 483 is aimed at, which would cover 59 per cent of the industry. It is alleged that this would meet the requirements of the industry, and there is evidence that only a small proportion (some 30 per cent) take full meals where these are provided. But in view of the importance of supplying proper nourishment for men engaged on such heavy work as mining, it is to be hoped that those responsible and the miners, through their pit committees and canteen committees, will see that meals, adequate both in quantity and quality, are provided and that the men are encouraged to make full use of the service. It is all too common to hear of miners' families going without their rations because they have given them up to their menfolk. The provision of canteens is, however, only one of the measures that will not only raise production now but

contribute towards the future well-being of the industry. Increasing attention is, rightly, being paid to-day to miners' welfare, health and safety, and Sir Frederick Sykes hit the nail squarely on the head when he said:

The nation has no right to ask the miner to work harder and harder still, unless it takes steps to make sure that the conditions of his work are as good as possible.

Sunday Work in Factories

Mr Bevin has upheld the action of the Factory Inspector who prosecuted an East Anglian firm for employing women on a Sunday as well as on other days of the week. The firm were clothing manufacturers, working on Service contracts, and they had apparently already been warned about non-compliance with the law, and had employed women on two previous Sundays. It was stated in defence that a breakdown in machinery had necessitated the Sunday work in order to overcome a bottleneck in production, but the excuse was not considered valid, and the firm was fined a total sum of £9. Although few details in this particular case have been given, the Minister's attitude was probably justified. There may be occasions when overtime and Sunday work are necessary in the national interest, when there are particular rush jobs to be completed, or in periods of emergency such as after Dunkirk, but as a general rule it is desirable that hours should be limited, and the day of rest observed; otherwise there is a danger that overtime and Sunday work may become a method of overcoming difficulties caused by inefficient management. It has become a truism that overlong hours defeat their own object by reducing instead of increasing output, and the strain tells on the physique, especially of women who are new to industry. There is also a direct correlation between hours and absenteeism. The Chief Factory Inspector's report for 1941 gave some examples of how output has actually been increased and absenteeism reduced when hours were reduced. In one factory, for instance, where a full six-day week was worked, absenteeism became so acute that it was decided to introduce a rota system whereby the women worked for 5½ days instead of six; casual absenteeism was practically eliminated. In some firms the difficulties have been met by introducing supplementary or part-time workers for a particular day or half-day. Such methods should be tried out before hours are increased or Sunday work is introduced.

Cotton Wages

At a recent delegate conference of the Cardroom Operatives' Amalgamation, which includes ring-spinners, it was decided to abrogate the agreement with the employers which provides for wages to be linked with the Ministry of Labour's cost of living index. This agreement was signed towards the end of 1939, and since then the workpeople have obtained wage advances of 22½ per cent and 12½ per cent, making an increase of 35 per cent in wages since the beginning of the war. A few weeks ago the Master Spinners' Federation granted a further war bonus of 5s. a week for adults and 3s. a week for juveniles. Joint conferences are now taking place between the trades union officials and the employers about the revision of the present method of payment, and reconstruction proposals.

Soft Drink Standards

Wartime standards have been laid down for the manufacture of soft drinks and will be embodied in a Ministry of Food Order to operate from February 1st. The standards were worked out by the Soft Drinks Industry (Wartime) Association and the Minister of Food has approved them. The best use of available materials is made by the standards and shipping space is saved by the substitution of saccharin for sugar. Some 73 tons of saccharin will be used to save 40,000 tons of sugar in a year and the industry has been allocated only 10,000 tons of sugar. The standards apply to unconcentrated soft drinks such as lemonade, ginger beer and soda water, and to concentrated soft drinks—squashes, fruit juice cordials and flavoured cordials. The minimum quantities of citric acid and natural strength juice are fixed for each ten gallons of the finished beverage; and the sugar and saccharin contents are fixed quantities. This step completes the changes in the wartime structure of the soft drinks industry, the output of which has been concentrated under a scheme involving profit sharing and the abolition of brand names and labels.

COMPANY MEETINGS

WILLIAMS DEACON'S BANK, LIMITED

SATISFACTORY RESULTS—STRONG LIQUID POSITION

CRITICISMS OF BANKING SYSTEM ANSWERED

MR. J. P. DEWHURST'S REVIEW

In view of existing conditions and in place of the usual annual address, the following statement has been circulated by Mr J. P. Dewhurst, chairman of Williams Deacon's Bank, Limited, to the shareholders of the bank in advance of the annual general meeting held on the 28th instant.

From the balance-sheet and statements of affairs in your hands you will note that the main feature, so striking in the last two years, has been the increase in our current, deposit and other accounts, and this in spite of the fact that tax reserve certificates which, judged by the present figure outstanding, have fully proved their convenience for the payment of taxation in advance, have now been on tap for a full twelve months.

The figure of the bank's deposits now appears at £70,400,000, an increase of £8,000,000, or 13 per cent, in excess of last year, and reflects the growing pace in Government war-time expenditure.

EXTREME LIQUIDITY OF BANK'S RESOURCES

Turning to the other side of the sheet, and taking the first five items of the bank's most liquid form of assets, we find that our cash, balances with other banks, money at call, bills discounted, and Treasury deposit receipts, constitute a total of £38,048,000, which is equal to 54 per cent. of our deposits, while the increase of £4,000,000 in our Treasury deposit receipts, £3,000,000 in investments and half a million pounds in Treasury bills, practically balances the increase in our deposits, and is a measure of the additional assistance we have been able to afford to Government finance.

Advances show a decrease of £338,000, an experience I imagine common to most banks at this time.

The figure at which our bank premises stand in our books is also down by £35,000, as with little or no expenditure possible in that direction the account benefits by the full amount allocated out of the year's profits.

I feel that the balance-sheet figures I have outlined are a clear evidence of the extreme liquidity of the bank's resources, and this will stand us in good stead in the testing times that may well lie ahead of us.

PROFIT AND LOSS ACCOUNT

Turning now to the figures of profit and loss, our net profit, after making the usual provisions, appears at £189,057 3s. 11d., as compared with £189,169 19s., or an increase of £4,887. This profit, with the balance of £85,406 1s. 3d. brought forward from last year, gives us a total of £274,463 5s. 2d. now to be dealt with.

After transferring £30,000 to bank premises account, we are in a position to pay a dividend at the rate of 12½ per cent. on both our "A" and "B" shares, and carry forward to next year's account £127,275 15s. 2d., as against £85,406 1s. 3d. brought in.

These results, I submit, are eminently satisfactory, and give ample evidence of the continued progress of the bank's business during a further twelve months of war-time conditions.

CRITICISMS OF BANKING SYSTEM ANSWERED

During the past year the banking system of this country has been under fire from certain quarters, and their criticisms would appear to rest on the two main contentions that banking has become a monopoly and that the issue of credit should be transferred to the State.

These, and other points, have been so ably dealt with by others that, meantime, I need here only repeat that there is no

such thing as a banking monopoly in this country. For the last 25 years no amalgamation of banks has been allowed except with Government sanction, and while it is true that, in order to meet the exigencies of war-time conditions, the banks have aspired to a measure of common action in one or two directions, it is nevertheless the case that they remain independent and competitive.

BANKS AND NEW CREDIT

The second point that the issue of new credit should be transferred to the State is apparently based on the idea that the banks create credit out of nothing and that, therefore, this "costless credit" should become a State monopoly. This argument is based on the fact that the total of bank deposits has risen by over 1,000 million pounds since the beginning of the war, but this increase in deposits arises primarily from Government borrowings from the banks as the result of expenditure in connection with the war effort. The fact therefore emerges that it is the State itself that has created the credit and that the banks are merely concerned with its distribution. And while, owing to the different influences and conditions which have prevailed during the two periods, the figures cannot be regarded as comparable without certain qualifications it is nevertheless of interest to note that at the end of 1917 the deposits of the joint stock banks and private banks in England had risen by 69 per cent. over the 1913 figures, whereas during this war the increase of deposits shown by their present-day representatives—the clearing banks—over an almost similar period of war-time conditions is 57 per cent.

CONFIDENCE OF COMMUNITY IN PRESENT SYSTEM

So far as these particular points go, it would appear that the critics of our present banking system would require a more accurate basis for their arguments if they are to justify any radical changes in a system which has certainly achieved the distinction that over the years—in peace and in war—it has retained in fullest degree the unbounded confidence of the vast community which it serves.

RELEASE OF MANPOWER BY BANKS

During the past year a committee under the chairmanship of Lord Kennet was appointed to investigate the possibilities of a further release of man-power from bank staffs. Needless to say, all relevant information was freely placed at the disposal of the Committee by the clearing banks, who are now willingly doing all they can to fall into line with the recommendations contained in the report which has been issued by the Committee.

One of the results of this will be that by March of this year we shall have to face a reduction to 85 per cent. of our pre-war staff (male and female), which will mean that only 44 per cent. of the male members of the pre-war staff will then be retained.

Economies in staff have already been effected by the closing of branches and further moves in this direction will have to be considered by the board.

In other directions, too, the bank's services to the public may have to be cut down, though nowadays these are so many, and so varied, that they have probably become part of the necessities of life in the eyes of the public.

All I can say is that so far the staff (permanent and temporary alike) have, in spite of their Civil Defence duties, risen nobly to the occasion, and the work of the

bank has been carried on with the minimum of inconvenience to our customers.

Up to date 493 members of the staff and 26 messengers are serving with H.M. Forces and a further 44 of the staff are due to go shortly.

As regards casualties, I much regret to have to report 1 killed, 8 missing, of whom 3 must be presumed killed, and 3 prisoners of war. To their relations and friends we take this opportunity of offering our sincerest sympathy.

TRIBUTE TO THE STAFF

In conclusion, I should like on behalf of the board to convey to the general manager, Mr Thomson, the assistant general managers and the officers and staff of the bank, our best thanks for their services and to assure them of our keen appreciation of the way in which the work of the bank has been conducted under the prevailing conditions of the past year.

The report and accounts were unanimously adopted.

NATIONAL DISCOUNT COMPANY, LIMITED

DISTRIBUTION MAINTAINED

The annual general meeting of the National Discount Company Limited, was held at 35, Cornhill, E.C., on the 22nd instant.

The following is an extract from the statement by the chairman, Sir Sigismund F. Mendl, K.B.E., circulated with the report and accounts:—

There has been no change during the past year in the Government's cheap money policy and although the return from bills discounted has been extremely small there have been more opportunities for operations in the short-bond market of which we have taken advantage.

The volume of business has been considerable and your company has taken its part in helping the Government with its war finance. The total of the balance-sheet shows an increase of more than £12 million over the previous year's figures, and now amounts to nearly £70 million. This increase has for the greater part taken place in deposits, which now stand at over £62 million, showing that your company has shared in the expansion which has occurred in the banking structure.

The reserve fund has been increased by £100,000 and now stands at £1,400,000. Bills rediscounted have remained at the same figure of £4 million, which I think is a very gratifying result in view of the continued contraction of commercial paper. On the assets side of the balance-sheet, cash at bankers shows a small decrease. Investments are very slightly down at just under £15 million, their actual value being considerably greater than that shown in the balance-sheet.

PROFIT AND DIVIDEND

After making provision for rebate and taxation and providing for all contingencies, our gross profit stands at £245,805. The amount brought forward from last year was £237,101, making a total of £482,906. After deducting current expenses and transferring £100,000 to the reserve fund and £10,000 to the pension fund trustees, there is available for appropriation the sum of £319,532.

Interim dividends were paid in July amounting to £42,300, and it will be proposed at the forthcoming meeting to pay a dividend of 2s. 6d., less tax on the "A" shares, making 10 per cent. for the year, and 7s. 6d., less tax, on the "B" shares, making 26 per cent. for the year. An interim dividend of 5s. 6d. per share on the "B" shares was paid last July, and the 7s. 6d. now recommended as the final dividend makes the dividend 13s. per share. While this is in effect the same cash distribution as has been paid since 1935, your directors have now felt themselves justified in converting the 2s. per share bonus, which has been distributed yearly since 1929, into a substantive part of the final dividend for 1942.

The report was adopted.

TURNER AND NEWALL, LIMITED

NEW USES FOR ASBESTOS

DEMAND FOR PRODUCTS

SIR SAMUEL TURNER'S ADDRESS

The annual general meeting of Turner and Newall, Limited, was held on Friday, the 22nd instant, in Manchester, Sir Samuel Turner, the chairman of the company, presiding.

The secretary, Mr. John L. Collins, read the notice convening the meeting and the report of the auditors, Messrs. Deloitte, Plender, Griffiths and Co.

The chairman dealt with the accounts at some length as usual and then stated that he would give a survey of the trading aspects of the company's various activities, though such survey must be necessarily much abridged as a result of present conditions. Accordingly, Sir Samuel Turner first referred to the mining companies in South Africa and Canada and mentioned the fact that they are all operating on a maximum capacity basis; he also referred to the new method of milling raw asbestos which represents a substantial advance in technique.

MANUFACTURING COMPANIES IN U.K.

Dealing with the manufacturing companies situated in the United Kingdom, the Asbestos Textile Companies were first referred to, namely Turner Brothers Asbestos Company, Limited, J. W. Roberts, Limited and Ferodo, Limited, all of whom had been fully occupied during the year, their various products being of the same vital importance in time of war as under peace conditions. With regard to the Asbestos-cement portion of the company's business, Sir Samuel Turner said that Turner's Asbestos Cement Company, Limited, have again demonstrated their adaptability to war-time conditions and have contributed largely to the solution of many problems created by the short supply of certain types of building material, mentioning in particular the fact that this company is supplying extremely large numbers of curved asbestos-cement huts in which there is no structural steel whatever and scarcely 5 per cent. of the timber normally included in wooden framed buildings.

The Washington Chemical Company, Limited, and the Western Chemical Company (Paisley), Limited, had during the year been busily engaged upon production both of their standard range of magnesia chemical products and upon those specially developed to meet the exceptional demands of the present day, this having meant inter alia the intensification of research activity in many directions and with a considerable measure of success. Newalls Insulation Company, Limited, had also been fully occupied during the year on a wide range of insulation contract work, including many important Government contracts on land and on board ship.

MANUFACTURING COMPANIES ABROAD

After referring to the company's export trade and the fact that the increased demand for the company's various products for work of national importance at home had meant that rather less of the company's materials had been available for overseas markets, the chairman referred to the manufacturing companies situated abroad, namely Keasbey and Mattison Company, Ferodo and Asbestos Incorporated and Asbestos Cement, Limited, and the substantial progress made by them during the year, and then continued as follows:

PROGRESS OF GROUP'S PENSION SCHEME

The pension scheme of the group has now completed its sixth year and is making

very satisfactory progress. As regards the Robert Turner fund, your directors again recommend the contribution of £10,000 to Turner and Newall Welfare Trust, Limited, for account of the trustees of this fund, which is being built up to provide means for dealing with exceptional cases not covered by the pension scheme itself.

During the past year further expenditure has been incurred in connection with air-raid precautions, amounting to £45,535. This is mainly a continuation of the policy of providing additional shelters in close proximity to the actual places in which work is carried on, but it also includes other passive defence measures and fire-watching costs.

I am glad to be able to tell you that, during the year under review, no significant damage has been caused by enemy action to any of your company's factories.

THE DIVIDEND

The final dividend recommended by the board makes, with the interim already paid, a total distribution of 12½ per cent. for the year on the Ordinary Stock, a figure which is identical with that of the previous year. Under conditions in which costs tend always upwards and—as sales are largely for war purposes—selling prices do not by any means always respond, I feel sure that stockholders will agree that the dividend is a satisfactory one. Taxation naturally continues to absorb the lion's share of what would otherwise be available profit, but of this, under conditions of war, I am sure no one would wish to complain.

THE FUTURE

Under the conditions which at present prevail, it is clearly impossible for me to make any specific forecast as to the future, save in respect of the period which lies immediately ahead. I can only say at the moment that, during the now current year, it is anticipated that demand for your company's various products is likely to be fully maintained, with the exception of the building materials range. So far as these are concerned, the position is not clear, as it depends entirely on Government policy as to whether the building trade is to be allowed to retain the necessary labour to enable it to carry on its operations on a reasonable scale. Whatever such scale may ultimately prove to be, we expect to get our full share of available orders, and in the other sections of our operations, as already indicated, we expect to continue in the fullest possible activity.

POST-WAR PROSPECTS

With regard to the more distant period, I am confident that the post-war future remains as bright as ever, and given a return in due course to normal trading, accompanied by substantial relief from taxation, our forward programme, which only awaits the end of hostilities, will be immediately put into operation.

In conclusion may I once more on behalf of the board and on your behalf, express to the officials and employees of our various undertakings, both at home and abroad, our appreciation of their continued efforts under the difficult conditions of war, and our confidence that such efforts will be fully maintained both during the war and subsequently?

The usual resolutions were then passed approving and adopting the directors' report, the accounts for the year to September 30, 1942, and the balance-sheet as at that date, and authorising the payment of

the ordinary dividend of 8½ per cent., making 12½ per cent. for the year, subject to income-tax, following which Messrs W. W. P. Shepherd, H. Hanson, R. G. Soot-hill and G. Wilson, the retiring directors, were re-elected as directors of the company and Messrs Deloitte, Plender, Griffiths and Co., chartered accountants, were re-appointed as auditors for the current year.

OROVILLE DREDGING COMPANY, LIMITED

DIVIDEND OF 25 PER CENT.

The thirty-first ordinary general meeting of the Oroville Dredging Company, Limited, was held, on the 26th instant, in London, Mr Frederick W. Baker, the chairman, presiding.

The following is an extract from the statement by the chairman, circulated with the report and accounts: Dividends received from the company's holding of shares in Bulolo Gold Dredging, Limited, and Pato Consolidated Gold Dredging, Limited, amount to £28,750. Other credits amount to £4,865. From the total credits of £33,615, after debiting all charges in London, including income-tax, the balance to the credit of profit and loss account for the period is £13,687. Adding the credit balance from the previous year and deducting the dividends paid, a balance of £118,331 is carried forward at September 30, 1942. The directors have decided to recommend a final dividend of 6d. per share (12½ per cent.), less income-tax, making, with the interim dividend of 6d. per share, 25 per cent. for the year. Out of a total income received by this company and its subsidiary Pato Mines (Colombia), Limited, amounting to £84,678, £52,231 has had to be provided for taxation purposes.

Operations at Bulolo continued normally until the invasion of New Guinea was imminent. I am given to understand that particulars of the operations for the financial year to May 31, 1942, will not be available until early in the new year, and that only information released by the Australian Government can be published.

OPERATIONS IN COLOMBIA

Operations on our interests in Colombia, both at Pato Consolidated Gold Dredging, Limited, and Asnazu Gold Dredging, Limited, are continuing very satisfactorily. The question of getting supplies is increasingly difficult, and in order to relieve this situation, it has become necessary to close down two of the dredges, though it is hoped that the effect of this will be largely offset by the handling of higher-grade ground.

The report was unanimously adopted. The Chairman said: Definite information is now in our hands indicating that the Colombian income-tax will be increased, as a result of recent legislation, to the extent of 85 per cent., 50 per cent. of which is returnable by the Colombian Government in the form of Colombian National Economic Defence Bonds, which, we gather, may bear interest at the rate of 4 per cent. per annum, though we have not yet any information as to when these Bonds will be redeemable. This increase of taxation will apply to all in Colombia liable to income-tax until the Government has secured a total of 60,000,000 pesos, which it expects to realise over a period of two years, when, we understand, 50 per cent. of the 85 per cent. will be abolished. In addition to this increase in taxation we will have to subscribe for a period of two years for Colombian National Defence Bonds to the extent of 20 per cent. of our gross output.

Unless we have to face conditions which we cannot at present foresee, we can expect to secure from our holding in Pato Consolidated dividends at the same rate as paid over the past year, namely, 30 per cent., so that, based upon these earnings, our company should be in a position to pay a dividend of at least 12½ per cent.

LIEBIG'S EXTRACT OF MEAT COMPANY, LIMITED

RECORD RESULTS

The seventy-eighth ordinary general meeting of Liebig's Extract of Meat Company, Limited, was held, on the 19th instant, in London, Mr Kenneth M. Carlisle (chairman and managing director) presiding.

The following are extracts from the chairman's statement circulated with the report and accounts:—

The balance of profit, at £213,000, is practically the same as that for last year, and so long as taxation continues at the present high level there is small prospect that any marked improvement on this figure can be shown. The volume of our trade and the results have exceeded all previous bests but, after making provision for the claims of the Revenue authorities, the amount remaining available for distribution in the form of a tax-free dividend is strictly limited, since the canons of sound finance cannot be lightly set aside, and regard must be had to the eventual demands of deferred repairs and obsolescence. Your directors propose, therefore, that the final dividend shall be 6s., free of income tax (making with the interim dividend a total of 8s., free of income tax) per unit of ordinary stock.

Our overseas factories have been engaged to the limit of cattle available in the production of canned meats, those in South America for account of the Ministry of Food, while the output of our African plants has been earmarked for the requirements of the Union and Middle East military authorities. A considerable rise in the price of cattle in Argentina, which occurred after the contract price for the supply of corned beef had been arranged between the two Governments, made it impossible to conduct factory operations in our region except at a loss, but the ranching section of our business, on the other hand, reaped the benefit of the enhanced values of live-stock.

The problem of maintaining adequate supplies of fuel and packing materials, as well as of factory spares and replacements, has been a constant source of anxiety, but thus far we have been able to comply with our contracts and carry through without serious stoppage. Plants have been maintained in as high a state of repair and efficiency as possible commensurate with the circumstances.

FARMING CONDITIONS

Conditions affecting farming were variable, as must almost inevitably be the case when the wide areas over which our estancias are situated, embracing Argentina, Uruguay and Paraguay, are considered; but, on the whole, with the exception of Uruguay, where good crops were harvested and calving and mortality returns were about normal, the very severe winter experienced in South America took its toll of the herds and flocks. Higher livestock values, however, and the disposal of the wool clip at satisfactory prices more than offset the disappointing physical results.

The trade in our proprietary lines in this country, embracing the well-known brands Oxo, Lemco, Fray Bentos, Beefex, etc., is conducted under the aegis of our associated company, Oxo, Limited, who also operate the factories in this country, and I am pleased to report that once again a most successful year's trading has been achieved.

These factories have been engaged to capacity and their output has been very large, but even so the demand for their products has been far from satisfied, and we have to continue to ask our many good friends and customers to exercise their kindly patience and indulgence until such time as the supply position from overseas can be improved.

The report and accounts were unanimously adopted.

ORIENT STEAM NAVIGATION COMPANY, LIMITED

SHIPS FULLY EMPLOYED

The forty-third ordinary general meeting of this company was held, on the 22nd instant, in London, Mr I. C. Geddes presiding.

The following is an extract from the statement circulated with the report and accounts:—Throughout the year under review your ships have been under requisition and fully and gallantly employed on Government service.

The working profit is down by £61,874 when compared with last year. You must be prepared to see further shrinkages in future accounts, for as ships are lost there will be a fall in the amount of profit we can retain free of excess profits tax. In this year's account it has been necessary to make provision not only for income-tax but also for E.P.T., although the precise liability is not yet known. We have also set aside £100,000 for transfer to general reserve; this account will then stand at the substantial figure of £2,000,000.

Investments, including tax reserve certificates, show an increase of £678,556 during the year. There is a corresponding increase in income from investments.

In 1936 you authorised the company to take power to invest in or operate air transport; and we made investments accordingly. If through the development of the air it seems desirable and opportunity offers to increase our interest in this new form of transport we shall do so. We hope it will be decided by the United Nations after the war that, as travel by air will be a great and increasing factor in world transport, it is to the interest of all nations and all traders that travel by air should be self-supporting. Competition in air transport based on subsidies on a large scale can only breed international jealousy and create a situation where subsidy would also be necessary for ships.

The report was adopted.

RADIO RENTALS, LIMITED

RECORD OF PROGRESS

The annual meeting of Radio Rentals, Limited, was held, on the 26th instant, in London, Mr H. F. Hunt (the chairman) presiding.

The following are extracts from the speech by the chairman circulated with the report and accounts.—The item radio sets in the balance-sheet is, of course, one of the most important and the figure of £197,548 shows a decrease of some £20,000 on last year's figure.

Subject to approval of the proposed final dividend, there will remain a balance of £32,303 to be carried forward. The amount of depreciation written off sets is £104,874, against £88,000 last year.

The provision for war damage premiums and contributions is down to £1,690, approximately half the figure in the previous year. Last year I referred to the penalising effect of this form of insurance and agreement has now been reached with the Board of Trade exempting a large number of our sets from compulsory insurance, which was only reasonable, in view of the fact that in the majority of cases we should not have been able to make a claim. The full benefit of this is not borne in these accounts. Provision of taxation is on the same basis as last year and constitutes a considerable increase.

The demand for our service is, of course, far beyond anything with which we can cope, and the supply of new sets is at present limited. Nevertheless, we have managed still further to increase the number of our subscribers.

With regard to our subsidiary company, I can say that satisfactory profits are being earned.

Nearly five months of our present year's trading have passed, and I know you will be pleased to hear that the business of your company is continuing to progress satisfactorily.

The report was unanimously adopted.

BARCLAYS BANK, LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The forty-eighth ordinary general meeting of Barclays Bank, Limited, was held, on the 22nd instant, at the head office of the bank, 54, Lombard Street, London, E.C. 3. Mr Edwin Fisher (the chairman) presided.

Mr P. J. Diboll (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts and also the statement by the chairman, which had been previously circulated, were taken as read.

The chairman moved: "That the report of the directors produced, together with the annexed statement of the company's accounts as at December 31, 1942, duly audited, be received approved and adopted, and that a final dividend of 5 per cent., making 10 cent. for the year on the 'A' stock and a final dividend of 7 per cent., making 14 per cent. for the year, on the 'B' and 'C' stock respectively less income-tax in each case, be declared, payable on the 8th proximo, to the stockholders registered in the books of the company on December 31st last."

Sir William M. Goodenough, Bt. (deputy chairman), seconded the motion which was carried.

The retiring directors were re-elected and the auditors, Messrs Price, Waterhouse and Co. and Messrs Kemp, Chatteris and Co., were re-appointed for the ensuing year.

A vote of thanks to the staff and a vote of thanks to the chairman for presiding at the meeting were unanimously accorded and the proceedings terminated.

MARTINS BANK, LIMITED

ANNUAL GENERAL MEETING

The 112th annual general meeting of Martins Bank, Limited, was held at the head office, Liverpool, on Tuesday, the 26th instant, Mr F. A. Bates, the chairman, presiding.

The chairman stated that the remarks which he would have normally made at this meeting had been issued in the form of a statement along with the report and accounts. He had nothing to add and he formally proposed the adoption of the report and accounts together with the declaration of a final dividend of 7½ per cent., making 15 per cent. for the year.

Mr A. Harold Bibby, one of the deputy chairmen, seconded, and the motion was carried unanimously.

Mr D. A. Sutcliffe proposed the re-election of directors. In thanking the chairman for his admirable survey and the directors for the very satisfactory results shown in the accounts, he said the bank was particularly fortunate in being so ably directed in these difficult times.

Mr W. G. Yates having seconded, the motion was adopted.

On the proposal of Mr J. R. Hobhouse, seconded by Mr John Wormald, the auditors were reappointed.

MIDLAND BANK, LIMITED

ANNUAL MEETING OF SHAREHOLDERS

The ordinary general meeting of shareholders of the Midland Bank, Limited, was held on January 28th at the Head Office, Poultry, London, E.C.2.

The Right Hon. R. McKenna (chairman) presided and, after referring to his statement circulated with the annual report and reproduced in these columns on January 23rd, moved the adoption of the report and audited statement of accounts. The motion was seconded by Mr S. Christopherson (deputy chairman) and carried.

The following resolution was then moved by the chairman, seconded by Mr. Christopherson, and carried:

"That this meeting desires to express its

sympathy with the relatives of those members of the staff who, whilst serving in H.M. Forces, have lost their lives or been posted as missing or become prisoners, and of the civilian members of the staff who have lost their lives by enemy action, and records with deep regret the loss the bank has sustained."

Further resolutions were carried, authorising the payment on February 1st of a dividend of 8 per cent actual less income tax, for the half-year to December 31st last; re-electing Mr Stanley Christopherson and Sir Alexander Roger, K.C.I.E., as directors; and reappointing Messrs

Whinney, Smith and Whinney as auditors for the ensuing year.

LLOYDS BANK, LIMITED

ANNUAL GENERAL MEETING

The eighty-fifth ordinary general meeting of this bank was held, on the 29th instant, at the head office, 71 Lombard Street, London.

The notice convening the meeting and the auditors' report having been read, the chairman, the Rt. Hon. Lord Wardington,

said that he assumed that the report and accounts which had been circulated would be taken as read as usual and that, as his address to members had also been circulated, he did not propose to take up the time of the meeting by reading it.

The report and accounts were adopted and the usual business transacted.

A resolution of sympathy with the relatives of those members of the staff who have lost their lives in the war was passed.

The proceedings ended with votes of thanks to the chairman and directors and to the staff.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

ALTHOUGH the undertone in the stock markets remains quietly firm, there was little response in quotations to the persistently favourable war reports or the news of the Casablanca conference. Turnover declined still further, but scattered equities continue to advance. The gilt edged market was quiet, occasional losses in long and medium dated issues contrasting with the steady tone of short term loans. A similar lack of interest prevailed in the foreign bond market, although there was a minor improvement in Brazilian stocks and some marking up of French Railway bonds. The recent improvement in home rail stocks continued in anticipation of the dividend payments, though at a much reduced rate. Among equities, Southern deferred was prominent. Preference and senior stocks showed little change. Argentine rail stocks derived some stimulus from the renewed request for higher tariffs, but small initial improvements were not generally maintained. Elsewhere, Canadian Pacific ordinary displayed some weakness in mid-week.

Scattered gains and losses reflected the current uncertainty in a quiet, but firm, industrial market. Movements in the brewery section were mixed and generally without significance, although Guinness improved steadily. Imps rallied after some earlier weakness on the maintenance of the dividend. Other tobacco issues were quiet, with the exception of Tobacco Securities deferred, which weakened on the reduced payment. Motor and aircraft shares fluctuated within narrow limits, but heavy industrial stocks attracted considerable support. Dorman Long was outstanding with an advance of 1s. 6d. on the prospect of a dividend, and useful gains were registered for Thos. W. Ward and Whitehead Iron. A minor rally in mid-week brought improvements for several shipping issues. P. & O. deferred was prominent with a gain of 1s. 9d., while Anchor Line also enjoyed support. Among stores shares,

Woolworth remained virtually unchanged on the reduced distribution. Textile shares were buoyant, but changes were without significance, except for a gain of 10d. for Courtalds. Chief interest centred on the international issues, of which International Nickel was outstanding with a net gain of 5½ points, while Brazilian Traction advanced 1½. Elsewhere, Gaumont British was bought, but a fall of 2s. 6d. for Wall Paper deferred followed on the recent advance in this share. Bowater Paper weakened on the report.

Activity in the kaffir market was at a particularly low ebb. Rand mining shares were neglected and quotations tended to lower levels. De Beers deferred was outstanding in a firm diamond section, advancing ½ on shortage of stock. Tea issues were supported, several issues being marked up 6d. to 1s., but the rubber market was practically without change. Interest in the oil market flagged, leading issues fluctuating narrowly and without trend. The news from Casablanca, however, encouraged a little speculative support, Anglo-Iranian rising ½, with minor improvements for other issues.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices 30 Ord. shares	20 Fixed Int.†
Jan. 21.....	5,615	2,767	96.9	136.5
" 22.....	5,517	2,819	96.8	136.8
" 25.....	6,617	3,635	97.0	136.7
" 26.....	5,019	2,669	97.0	136.6
" 27.....	4,917	2,544	97.1	136.6

* July 1, 1935=100. † 1928=100. 80 Ordinary shares, 1942: highest, 93.7 (Dec. 31); 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 excellent war news and the promise of things to come from the Casablanca meeting gave rise to the highest level of activity witnessed on Wall Street since the New Year. Despite fairly persistent profit-taking, investment demand forced prices steadily upward, many high-class industrial equities attaining peak levels for the past year or more. Profit taking in mid-week reduced quotations two points or more.

Salmon Distribution.—The Minister of Food has made the Salmon (Distribution) Order, controlling from February 5, 1943, the distribution of salmon other than smoked or canned salmon. The Order provides that every wholesaler shall offer his supplies to the same customers as in 1940, and in the same proportion to each customer as in that year, with certain exceptions.

Wool Waste.—The Minister of Supply has issued two new Orders affecting the control of wool. They are the Control of Wool Wastes (No. 2) Order, 1943 (S.R. and O. No. 99), and the Control of Wool Rags (No. 2) Order, 1943 (S.R. and O. No. 100). The effect of the first is to bring within the licensing provisions of the Control of Wool Wastes (No. 1) Order, 1941, certain woollen wastes and to subject them to maximum prices. By the joint operation of the two Orders, hosiery clips

and overlocks are removed from the definition of "wool rag," and are made subject to the provisions of the Control of Wool Wastes Orders. The new Orders came into operation on January 26th.

Nuts and Bolts.—The purpose of the Control of Bolts, Nuts, Screws, Washers and Rivets (No. 1) Order, 1943 (S.R. and O. No. 41), and the Control of Iron and Steel (No. 28) Order, 1943 (S.R. and O. No. 40), which came into force on January 25th, and have been issued by the Ministry of Supply, is to fix maximum prices for most sizes of bolts, nuts, screws, screw studs, washers and rivets, of whatever metal they are made, and to bring them all within the scope of the Iron and Steel Distribution Scheme.

Rayon Goods Export.—After some delay, the Cotton Board have issued allocations

STANDARD STATISTICS INDICES (1935=100)

WEEKLY AVERAGES

	1942	Jan. 6, 1943	Jan. 13, 1943	Jan. 20, 1943
Low April 29				
High Dec. 30				
347 Industrials	62.4	80.3	81.1	81.4
32 Rails	98.4	75.4	72.6	72.9
40 Utilities	53.1	67.4	67.9	69.5
419 Stocks	60.8	77.4	78.5	79.6
Av. yield %	8.40	5.42	5.36	5.30

* 50 Common Stocks. (c) Nov. 4. (d) June 24. (b) Oct. 21.

DAILY AVERAGE OF 50 COMMON STOCKS

Jan. 14	Jan. 15	Jan. 16	Jan. 18	Jan. 19	Jan. 20
101.0	101.7	101.8	102.0	101.0	101.2

1943: High, 102.0 Jan. 18; Low, 99.6, Jan. 2.

Total share dealings: Jan. 21, 810,000; Jan. 22, 883,000; Jan. 23*, 322,000; Jan. 25, 804,000; Jan. 26, 1,043,000; Jan. 27, 844,000.

* Two-hour session only.

Capital Issues

Week ending	Nominal	Com-	New
January 30, 1943	Capital	versions	Money
To Shareholders only	79,333	£	128,661
By Permission to Deal	253,087	£	339,151
Particulars of Government issues appear on page 161			
	Including	Excluding	
	Conversions	Conversion	
1943.....	81,600,032	79,354,531	
1942.....	74,158,275	72,868,371	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign
1943.....	78,566,932	787,600	NH
1942.....	72,358,275	NH	NH

Nature of Borrowing (Conv. Excl'd.)

Year†	Deb.	Prof.	Ord.
1943.....	78,849,108	292,330	215,094
1942.....	72,169,821	32,029	186,489

† Includes Government issues to Jan. 19, 1943, only. Above figures include all new capital in which permission to deal has been granted.

for the production and export of rayon piece goods for the three months ending March 31st next. In the interests of efficiency and economy of production, no allocations below 1,000 square yards are available. The small quantities to which merchants are entitled have been added to quotas for other markets, and the total allocations have not been reduced. In the case of South Africa and Northern and Southern Rhodesia, export licence applications must be accompanied, as usual, by essentially certificates bearing a priority rating. It is pointed out to allocation holders that export licences will only be recommended against certificates of this kind, in accordance with the usual procedure.

Onions.—The Ministry of Food desires to place contracts with growers for dry bulb onions. The price offered is the same as (Continued on page 163)

Finance

GOVERNMENT RETURNS

For the week ended Jan. 23, 1943, total ordinary revenue was £95,423,000, against ordinary expenditure of £122,030,000, and issues to sinking funds of £120,000. Thus, including sinking fund allocations of £9,716,904, the deficit accrued since April 1st is £2,410,581,000, against £2,071,396,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1, 1941 to Jan. 24, 1942	April 1, 1942 to Jan. 23, 1943	Week ended Jan. 24, 1942	Week ended Jan. 23, 1943
ORDINARY REVENUE					
Income Tax.....	913,000	470,588	572,145	44,549	54,903
Sur-tax.....	78,000	44,917	39,379	3,790	4,020
Estate, etc.,					
Duties.....	90,000	72,161	75,095	1,253	1,640
Stamps.....	15,000	10,893	11,600	1,000	1,030
N.D.C.....	17,224	23,247	450	816	
E.P.T.....	425,000	199,117	278,667	4,038	9,370
Other Ind. Rev.	1,000	397	500	70	80
Total Ind. Rev.	152,200	815,297	1,000,633	55,150	71,859
Customs.....	438,295	297,503	369,273	8,402	7,805
Excise.....	366,705	253,300	331,800	4,500	6,900
Total Customs & Excise.....	805,000	550,803	701,073	12,902	14,705
Motor Duties.....	34,000	33,874	24,602	8,827	6,984
Canadian Govt. Contribution.....	225,000	...	224,719	...	...
P.O. (Net Receipts).....	10,000	11,400	11,400	1,500	1,700
Wireless Licences	4,300	...	3,090	...	...
Crown Lands.....	800	710	720	...	...
Receipts from Sundry Loans	5,000	3,009	2,944	...	13
Miscell. Receipts	21,000	65,741	78,969	1,844	162
Total Ord. Rev.	262,7100	1,480,834	2,048,150	80,223	95,423
SELF-BALANCING P.O. & Brdcastg.	102,523	81,400	83,800	1,300	1,300
Total.....	272,9623	1,562,234	2,131,950	81,523	96,723

Expenditure	Estimate, 1942-43	April 1, 1941 to Jan. 24, 1942	April 1, 1942 to Jan. 23, 1943	Week ended Jan. 24, 1942	Week ended Jan. 23, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	223,303	264,268	...	...
Payments to N. Ireland.....	9,500	6,444	5,844	544	...
Other Cons. Fund Services.....	7,800	7,154	7,064	...	...
Total.....	342,300	236,901	277,176	544	...
Supply Services.....	495,3204	356,0156	417,1838	85,950	122,030
Total Ord. Exp.	529,5504	379,7057	444,9014	86,494	122,030
SELF-BALANCING P.O. & Brdcastg.	102,523	81,400	83,800	1,300	1,300
Total.....	539,8027	387,8457	453,2814	87,794	123,330

After increasing Exchequer balances by £385,759 to £3,411,595, the other operations or the week (no longer shown separately) raised the gross National Debt by £28,141,094 to £16,473 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Jan. 22nd and Jan. 28th. (Figures in brackets are par of exchange.)

United States. \$ (4-808) 4-024-034; mail transfers 4-024-034. **Canada.** \$ (4-868) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25-284) 17-30-40; **Sweden.** Krona (18-159) T.T. 16-85-95, bank notes at Bank of England, 17-40 kr. **Argentina.** Peso (11-40) 16-95-17-13; mail transfers 16-95-17-15. **South West India.** Florin (12-11) 7-58-62; mail transfers 7-58-64. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** 84-02-04; mail transfers 4-02-04. **Brazil.** 85-64-64 cr. (buying). **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate);

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	250
Defence Loans Acts.....	778
	1,028

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Jan. 24	960.0	Not available		
Oct. 31	990.0	1730.5	225.7 1/2 5.2 1/2 833.0	3794.4
Nov. 7	1010.0	Not available		
" 14	1020.0	"		
" 21	1030.0	"		
" 28	1040.0	1705.5	287.1 1/2 11.0 888.5	3932.2
Dec. 5	1045.0	Not available		
" 12	1045.0	"		
" 19	1045.0	"		
" 26	1045.0	"		
31	2,833.2	161.6 1/2 67.7 966.5		4029.0
1943				
Jan. 9	1045.0	Not available		
" 16	1040.0	"		
" 23	1030.0	"		

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Jan. 23	65.0	142.9	60.0	s. 20	d. 17.8
Oct. 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	0.45
" 20	85.0	178.6	85.0	20	0.60
" 27	80.0	169.0	80.0	20	1.44
Dec. 4	75.0	158.9	75.0	20	1.27
" 11	75.0	144.7	75.0	20	1.49
" 18	75.0	137.4	75.0	20	1.64
" 24	75.0	144.8	75.0	20	1.25
" 31	75.0	143.5	75.0	20	2.05
1943					
Jan. 8	75.0	133.9	75.0	20	2.11
" 15	75.0	140.0	75.0	20	1.56
" 22	75.0	148.2	75.0	20	1.66

On Jan. 22nd applications at £99 15s. per cent for bills to be paid for on Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 33 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 1d. for bills to be paid for on Monday, and at £99 15s. 1d. for bills to be paid for on Tuesday, were accepted in full. £75 millions of Treasury Bills are being offered on Jan. 29th. For the week ending Jan. 30th, the banks will not be asked for Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Dec. 15.....	4,097	1,855	4,359	2,376
" 22.....	3,779	1,363	5,971	3,028
" 29.....	3,495	1,375	3,705	8,278
Jan. 5.....	4,935	1,974	8,790	3,513
" 12.....	5,444	4,006	15,308	9,719
" 19.....	6,322	3,131	9,275	5,105
" 26.....	...	...	9,213	10,143
Totals to date	694,671*	529,163*	985,268†	48,367‡

* 165 weeks. † 108 weeks. ‡ 9 weeks. Including series 1949-51. † Including all Series. Interest free loans received by the Treasury up to Jan. 26th amounted to a total value of £53,451,601. Up to Dec. 31st, principal of Savings Certificates to the amount of £91,822,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Jan. 22nd and Jan. 28th:

Egypt. Piastres (771) 971-1. **India.** Rupee (18d. per rupee) 17½-18½ d. **Belgian Congo.** Francs 176½-1. **China.** National 3 2½-3½ d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—**United States.** 3 cent pm-par. **Canada.** 1 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 5 cent pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Jan. 22nd and Jan. 28th:—**Bank rate** 2% (changed from 3% October 26, 1939). **Discount rates:** Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

JANUARY 27, 1943

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Jan. 24, 1942	Jan. 23, 1942	Jan. 24, 1942	Jan. 23, 1942
Working days:	6	6	20	19
Birmingham	2,815	2,727	11,154	11,120
Bradford	1,956	1,893	7,319	7,447
Bristol	2,204	2,175	7,404	7,537
Hull	827	766	3,005	2,827
Leicester	1,113	1,165	4,519	4,092
Liverpool	785	954	3,436	3,433
Manchester	4,305	4,573	16,122	14,857
Newcastle	11,265	12,736	44,278	45,109
Nottingham	1,631	1,518	5,474	4,937
Sheffield	418	622	1,969	2,208
Southampton	1,131	1,019	3,934	4,384
12 Towns	82	151	341	560
Dublin*	28,532	28,839	108,955	103,511
	7,344	7,870	24,283	25,012

* Jan. 17, 1942, and Jan. 16, 1943.

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

	Nov. 17, 1941		Nov. 2, 1942		Nov. 9, 1942		Nov. 16, 1942	
	1941	1942	1941	1942	1942	1942	1942	1942
ASSETS								
Gold and English ster.	19.96	29.83	30.14	30.14	30.14	30.14	30.14	30.14
Other coin, bullion, etc.	5.78	8.64	9.08	8.23	8.23	8.23	8.23	8.23
Call money, London	33.78	46.73	43.96	45.36	45.36	45.36	45.36	45.36
Securities and Treas. bills	66.12	146.21	144.51	149.31	149.31	149.31	149.31	149.31
Discounts and advances	21.44	22.63	23.21	23.63	23.63	23.63	23.63	23.63
LIABILITIES								
Deposits, etc.	74.86	114.86	115.86	115.86	115.86	115.86	115.86	115.86
	115.04	163.48	156.09	156.52	156.52	156.52	156.52	156.52

U.S. FEDERAL RESERVE
Million \$'s

	Jan. 22, 1942		Jan. 14, 1943		Jan. 21, 1943	
	1942	1943	1943	1943	1943	1943
12 U.S.F.R. BANKS						
Gold certifs. on hand and due from Treasury	20,523	20,511	20,510	20,498	20,498	20,498
Total reserves	20,890	20,904	20,904	20,959	20,959	20,959
Total cash reserves	353	360	444	429	429	429
Total U.S. Govt. sec.	2,250	6,032	5,975	5,818	5,818	5,818
Total bills and sec.	2,263	6,049	5,995	5,841	5,841	5,841
Total resources	24,400	28,609	28,541	28,449	28,449	28,449
LIABILITIES						
F.R. notes in circ.	8,199	12,177	12,109	12,118	12,118	12,118
Excess m. bank res.	3,584	2,330	2,150	2,000	2,000	2,000
Mr. bank res. dep.	13,145	13,464	13,279	13,156	13,156	13,156
Govt. deposits	284	273	329	374	374	374
Total deposits	14,816	14,909	14,916	14,844	14,844	14,844
Total liabilities	24,400	28,609	28,541	28,449	28,449	28,449
Reserve ratio	90.7%	77.2%	77.5%	77.7%	77.7%	77.7%
BANK AND TREASURY RESOURCES						
Monetary gold stock	22,750	22,712	22,712	22,703	22,703	22,703
Treasury & bank currency	3,255	3,660	3,697	3,747	3,747	3,747
LIABILITIES						
Money in circulation	11,077	15,393	15,322	15,354	15,354	15,354
Treasury cash and dep.	2,488	2,465	2,519	2,570	2,570	2,570

BANK OF CANADA
Million Can. \$

	Dec. 31, 1941		Dec. 31, 1942		Dec. 31, 1942	
	1941	1942	1942	1942	1942	1942
ASSETS						
Reserve: Gold	200.9	0.5	0.5	0.5	0.5	0.5
Other	608.5	992.1	1001.5	1018.8	1018.8	1018.8
LIABILITIES						
Note circulation	496.0	680.4	692.6	692.8	692.8	692.8
Deposits: Dom. Govt.	73.8	37.0	16.5	42.9	42.9	42.9
Chartered banks	232.0	250.3	252.9	246.1	246.1	246.1

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

RESERVE BANK OF INDIA
Million rupees

	Jan. 16, 1942		Dec. 25, 1942		Jan. 1, 1943		Jan. 8, 1943	
	1942	1942	1942	1942	1943	1943	1943	1943
ASSETS								
Gold coin & bullion	321	143	123	144	144	144	144	144
Rupee coin	444	444	444	444	444	444	444	444
Balances abroad	432	710	666	652	652	652	652	652
Sterling securities	2,456	4,048	4,128	3,458	3,500	3,500	3,500	3,500
Ind. Govt. rup. sec.	415	1,224	1,224	1,944	1,944	1,944	1,944	1,944
Investments	102	60	60	60	60	60	60	60
LIABILITIES								
Notes in circ.: India	3,295	5,704	5,783	5,864	5,894	5,894	5,894	5,894
Burma	221	1	1	1	1	1	1	1
Deposits: Govt.	130	258	229	127	162	162	162	162
Banks	372	487	475	551	524	524	524	524
Reserve ratio	79.8%	76.7%	77.3%	65.2%	65.7%	65.7%	65.7%	65.7%

SOUTH AFRICAN RESERVE BANK
Million £'s

	Nov. 28, 1941		Nov. 6, 1942		Nov. 13, 1942		Nov. 27, 1942	
	1941	1942	1942	1942	1942	1942	1942	1942
ASSETS								
Gold coin and bullion	48.53	71.19	72.23	72.23	72.23	72.23	72.23	72.23
Bills discounted	19.61	1.04	1.06	1.06	1.06	1.06	1.06	1.06
Invest. and other assets	40.37	65.37	66.36	66.36	66.36	66.36	66.36	66.36
LIABILITIES								
Notes in circulation	28.49	35.26	35.20	37.07	37.07	37.07	37.07	37.07
Deposits: Government	23.91	3.32	3.79	3.96	3.96	3.96	3.96	3.96
Bankers'	45.08	86.86	89.89	90.55	90.55	90.55	90.55	90.55
Others	7.33	7.14	6.90	7.72	7.72	7.72	7.72	7.72
Reserve ratio	47.4%	53.4%	53.5%	53.0%	53.0%	53.0%	53.0%	53.0%

COMPANY RESULTS (January 13, 1943 to January 27, 1943)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Breweries, &c.													
Cobbold & Co.	Sept. 30	£ 62,866	£	£ 39,775	£ 49,598	£ 14,000	£ 15,031	18½	£ 10,000	+ £ 744	65,549	£ 42,423	18½
Financial, Land, &c.													
Bowmaker Limited	Oct. 31	66,428	...	30,083	48,223	27,500	...	...	...	- 2,583	66,005	25,824	Nil
Brown (Charles) Holdings	Dec. 31	29,624	...	22,719	23,541	16,500	6,090	4	...	- 129	29,631	22,539	4
Davenport C.B. & Brewery (Holdings)	Oct. 31	52,085	...	44,898	122,363	5,000	25,000	10	...	- 14,898	51,918	43,231	10
Mulliners (Holdings)	Dec. 21	43,600	...	20,870	25,870	10,380	7,500	20	...	+ 2,990	43,601	20,547	20
N. Zealand and R. Plate Land Mort.	Oct. 31	80,051	...	33,369	59,602	...	28,000	4	5,000	+ 369	86,404	35,692	4
Hotels, Restaurants, &c.													
Carlton Hotel	Aug. 31	42,219	...	4,171	7,730	...	...	...	...	+ 4,171	15,520	Dr. 3,640	Nil
Jones (R. E.)	Oct. 31	43,444	...	4,984	13,917	...	...	...	...	+ 4,984	23,703	Dr. 3,004	Nil
Motor, Aviation, &c.													
Empire Aviation Co.	Sept. 30	180,036	...	179,411	221,707	...	82,220	8½	100,000	- 2,809	175,773	175,173	8½
Jowett Cars	Sept. 30	26,140	...	26,140	36,861	18,750	3,125	2½	...	+ 4,265	30,047	30,047	Nil
Rubber													
andar Sumatra	July 31	5,193	...	Dr. 16,151	Dr. 8,442	...	...	...	...	- 16,151	15,525	9,030	Nil
Antardawa	June 30	905	...	Dr. 6,673	Dr. 3,608	...	...	...	...	- 6,673	9,332	2,396	Nil
Braunton (Malay)	Sept. 30	3,646	...	Dr. 3,414	2,627	...	...	...	Dr. 5,000	- 1,866	13,950	5,556	2½
Diasinga	June 30	3,001	...	Dr. 46,740	Dr. 24,830	...	...	...	...	- 46,740	37,889	10,879	Nil
Kalidjorek	Mar. 31	35,963	412	2,769	4,633	800	...	...	...	- 1,969	27,850	7,557	7½
Sedenak	Oct. 31	1,228	1,500	Dr. 2,355	20,909	...	...	...	...	- 2,255	31,673	31,653	6
Tambora	June 30	15,760	...	Dr. 4,108	3,803	...	...	...	...	- 4,108	31,570	7,344	Nil
Shipping													
Ab. under Shipping	Mar. 31	31,806	...	30,906	74,194	7,200	22,500	7½	...	+ 1,206	60,161	44,261	12½
Shops and Stores													
y & Co.	Sept. 30	76,239	13,824	21,724	39,211	1,250	17,500	10	5,000	- 2,026	59,682	21,182	10
W. J. (William)	Dec. 31	194,455	...	70,519	82,802	13,156	37,500	15	25,000	- 5,137	196,895	77,252	15
Tea													
Gidalar (Nilgiri) Tea and Coffee	June 30	7,976	...	3,976	Dr. 1,100	...	...	...	...	+ 3,976	173	173	Nil
Telegraphs and Telephones													
Amazon Telegraph	June 30	22,316	...	Dr. 6,655	Dr. 3,592	...	...	...	...	- 6,055	26,413	Dr. 1,245	Nil
Textiles													
Marshall (Thomas) Marbeck	Dec. 31	86,403	2,275	25,553	45,173	3,000	12,500	25	10,000	- 553	78,762	19,349	25
Stapley & Smith	Nov. 19	66,207	701	26,295	35,562	(a) 25,593	...	...	...	- 4,299	50,431	23,255	Nil
Tramway and Omnibus													
Transport Services	May 31	82,941	...	74,120	98,572	6,736	15,146	10	66,000	- 13,762	62,835	55,807	10
Trusts													
Debenture Corporation	Dec. 31	216,807	...	85,507	160,888	25,578	51,157	10	10,000	- 1,228	218,915	81,984	10
English and New York Trust	Dec. 31	40,102	...	19,751	59,030	12,054	7,256	4½	...	+ 401	73,616	20,758	4½
Foreign Railways Investment	Oct. 31	13,107	...	1,378	47,994	...	...	...	...	+ 1,378	11,426	89	Nil
Great Northern Investment	Nov. 30	164,728	...	47,478	111,858	23,250	15,500	5	5,000	+ 3,728	159,523	45,658	5
Debenture Corporation	Dec. 31	68,862	...	26,558	26,558	5,000	10,500	7(c)	6,911	-	69,667	26,215	7(c)
rd Scottish Northern	Dec. 15	43,994	...	19,362	35,581	15,000	3,000	1½	...	+ 1,362	45,549	18,533	1½
and General Investment	Dec. 31	58,468	...	23,713	62,673	17,159	14,364	7	...	- 2,810	63,331	33,545	9
Waterworks													
Cleveland Water Co.	Dec. 31*	9,838	...	4,079	16,002	...	3,350	10 & 7	...	+ 729	9,765	4,576	10 & 7
Other Companies													
Asquith (William)	Aug. 13	138,934	...	21,876	52,082	6,623	2,039	4½	20,000	- 6,786	122,846	9,961	5
Bell & Nicolson	Dec. 31	34,465	2,773	30,270	63,746	1,400	21,000	14	5,000	- 2,870	35,341	30,715	14
Berry Hill Brickworks	Dec. 31	13,961	4	4,686	3,250	1,000	24	...	...	+ 4,370	15,445	5,174	5
Bignells Limited	Nov. 28	46,108	8,105	6,195	13,123	2,250	3,000	8	1,056	- 111	37,682	4,708	6
Browthers & Lloyds Sales	Sept. 30	90,347	...	46,638	78,009	20,000	30,000	20	...	- 3,362	92,451	50,552	22½
Water's Mersey Paper Mills	Sept. 30	113,861	50,000	28,220	71,356	...	...	...	...	+ 28,220	115,299	29,539	Nil
Water's Paper Mills	Sept. 30	192,758	35,000	63,517	108,486	...	...	...	...	+ 63,517	196,870	67,227	Nil
ooke Tool Manufacturing	Sept. 30	40,130	...	31,484	57,230	...	20,000	20	...	+ 11,484	39,080	28,566	25
y's Foundries, &c.	Sept. 30	80,247	...	39,121	88,223	11,250	30,250	11	...	- 2,379	100,294	32,008	11
ines Bros Limited	June 30	127,750	...	70,613	83,906	26,800	37,500	30	5,000	+ 1,313	131,942	50,056	30
loyd (Edward) Limited	Sept. 30	303,864	160,000	37,744	52,664	12,250	27,214	8	...	+ 280	221,810	49,902	10
otts Limited	Dec. 31	28,281	...	24,996	44,889	800	20,100	15	4,000	+ 96	26,228	24,228	15
unt (Richard) & Co.	Dec. 31	26,996	...	6,058	Dr. 13,766	...	...	...	...	+ 6,058	13,013	Dr. 14,238	Nil
Madame Tussaud's	Oct. 31	32,405	...	26,504	35,685	7,391	9,000	6	5,000	+ 5,113	73,089	22,140	6
Wallinson (William) & Sons	Dec. 31	60,304	...	11,330	69,239	6,000	8,000	10	...	+ 7,132	57,369	23,078	17½
Midland Woodworking Co.	Aug. 31	187,921	5,089	21,430	40,053	2,750	5,000	10	...	+ 5,650	159,609	8,542	10
Radio Rentals	June 30	400,698	20,316	242,280	324,420	28,000	43,942	10	180,000	- 9,662	344,194	198,791	10
veneta Limited	Dec. 31	19,973	...	19,973	34,898	...	...	...	...	- 1,373	25,800	19,043	9
Webster (L. & J.) & Phillips	Dec. 31	19,973	...	52,910	70,510	18,000	18,000	6½	25,000	- 5,510	58,194	37,743	5
White (J. Samuel) & Co.	Sept. 30	58,433	...	10,801	18,838	1,770	3,125	12½	...	- 5,906	26,147	17,763	12½
Wolverhampton Die-Casting	Sept. 30	29,614	8,133	10,801	18,838	1,770	3,125	12½	...	- 5,906	26,147	17,763	12½
Totals (£,000s)	No. of Cos.												
January 1 to January 13, 1943	23	9,940	1,467	2,639	4,131	557	1,368	...	407	+ 307	8,948	2,447	...
January 13 to January 27, 1943	54	4,190	305	1,754	3,101	383	679	...	488	+ 204	4,098	1,518	...
January 1 to January 27, 1943	77	14,130	1,772	4,393	7,232	940	2,047	...	895	+ 511	13,046	4,265	...

NATIONAL DISCOUNT COMPANY, LIMITED

(Incorporating the business of Messrs. Reeves Whitburn)

Telegrams: NATDIS, STOCK, LONDON. 35 CORNHILL, LONDON, E.C.3 Telephone: MANSION HOUSE 5241/3.
ESTABLISHED 1856 do. 7631/2.

Issued Capital, £2,153,335 Authorised Capital, £2,700,000 Reserve Fund, £1,400,000
Paid-up Capital, £1,000,000

Directors.
LT.-COL. THE HON. GEORGE AKERS-DOUGLAS. SIR SIGISMUND F. MENDEL, K.B.E., Chairman.
LT.-COL. RONALD L. BASSETT. H. S. H. GUINNESS.
LT.-COMMANDER THE HON. LOVEL W. COKE, R.N. SIR STRATI RALLI, BART., M.C.
SIR CHARLES D. SELIGMAN.

Manager. ROBERT E. DE B. BATE. **Sub-Managers.** HARRY R. W. BROWN. WILFRED SHEPHERD.

Secretary. WILFRED SHEPHERD. **Registrar.** G. HERBERT ELLABY.

Auditors. MESSRS. PRICE, WATERHOUSE & CO.

Bankers. BANK OF ENGLAND. NATIONAL PROVINCIAL BANK, LIMITED.

ONE HUNDRED AND FORTY-THIRD REPORT,

Submitted to the Shareholders at the Annual Ordinary General Meeting, on Friday, the 22nd January, 1943, at the offices of the Company.

Dr.	PROFIT AND LOSS ACCOUNT for the Year ending 31st December, 1942	Cr.	
To Current Expenses, including Salaries, Audit Fee, Profit Sharing to Staff, and all other charges	£43,523	By Gross Profit for the Year, after making provision for rebate, taxation and contingencies	£245,805
„ Directors' Remuneration	9,851		
„ Balance carried down	192,431		
	<u>£245,805</u>		<u>£245,805</u>
To Reserve Fund	£100,000		
„ Pension Fund Trustees	10,000		
„ Interim Dividend—			
“ A ” Shares	£10,583	By Balance brought down	£192,431
“ B ” Shares	31,717	„ Balance from Previous Year	237,101
	<u>42,300</u>		
„ Final Dividend—			
“ A ” Shares	10,583		
“ B ” Shares	43,250		
	<u>53,833</u>		
„ Balance carried to Balance Sheet	223,399		
	<u>£429,532</u>		<u>£429,532</u>

The Subsidiary Company has not traded during the year, and has made neither a profit nor a loss.

On behalf of the Board,
S. F. MENDEL, CHARLES D. SELIGMAN, Directors. W. SHEPHERD, Secretary.

BALANCE SHEET, 31st December, 1942

Capital Authorised—		Cash at Bankers	£1,579,697
270,000 „ A „ Shares of £2 10s.	£675,000	Investments—	
270,000 „ B „ Shares of £7 10s.	2,025,000	British Government, and British Corporation Securities	14,815,410
	£2,700,000	Bills Discounted, and Short-dated Bonds, etc., including Bills Re-discounted, per contra, less provision for Rebate of Interest	52,868,942
Capital Issued—		Loans and Sundry Amounts receivable	483,398
169,333 „ A „ Shares of £2 10s.	£423,333	Freehold Premises (at approximate cost)	100,000
230,667 „ B „ Shares of £7 10s.	1,730,002	Subsidiary Company—	
	£2,153,335	Shares	£100
Capital Paid-up, viz.—		Less Loan	100
„ A „ Shares—fully paid	423,333		
„ B „ Shares—£2 10s. paid	576,667		
	£1,000,000		
Reserve Fund	1,400,000		
Deposits, secured and unsecured, contingency and other accounts, and provision for accruing expenses	63,039,582		
Bills Re-discounted (not including Treasury Bills)	4,130,633		
Profit and Loss Account—			
Dividend	£53,833		
Balance at Credit	223,399		
	277,232		
	£69,847,447		£69,847,447

On behalf of the Board,
S. F. MENDEL, CHARLES D. SELIGMAN, Directors.

W. SHEPHERD, Secretary.

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

J. FREDERICK'S PLACE, LONDON, E.C.2. 11th January, 1943.

PRICE, WATERHOUSE & CO., Auditors.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at Brettenham House, Lancaster Place, London, W.C.2—Saturday, January 30, 1943.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5189 REGISTERED AS A NEWSPAPER FEBRUARY 6, 1943 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

Let the People Work - - - - -	165	North Africa's Food - - - - -	179
Japan Digs In - - - - -	167	German Manpower Crisis - - - - -	182
The Luxury of Saving - - - - -	170	Gas Shares - - - - -	183

LEADING ARTICLE

West India? 168

NOTES OF THE WEEK - - - - - 171

War and Distribution; Demmed Elusive; The Eastern Mediterranean; Air Power; The Rainy Season; Clearing the Air; Old and New Battles; Aid for Russia; Money and the Exchange; Hopes and Promises; The Civil Service; Consider the Mosquito; More Womanpower; Catering Wages Bill; Town and Country Planning; Child Casualties; War Damage; Shorter Notes.

AMERICAN SURVEY - - - - - 176

Why Renegotiation?; The New Isolationism; Pin-pricks; Britain's Lend-Lease; Stabilisation Endangered?; Shorter Note.

THE WORLD OVERSEAS - - - - - 179

North Africa's Food; Eire's Financial Position; Germany's Health; Germany at War.

FINANCE AND BANKING - - - - - 184

More Notes in Circulation; Dollar-Sterling Free Rate; Floating Debt in January; Financing Expenditure; North African Franc Revalued; Year-End Window-Dressing.

INVESTMENT - - - - - 186

Post-war Framework; Milestone for Equities; Further Closing of Margins; Background for Kaffirs; A Study in Conversions; BAT Liquidity; R. A. Lister Accounts; Boot and Shoe Results; Dalgety Report.

INDUSTRY AND TRADE - - - - - 189

The Industrial Prospect; The Locomen Think Again; Shipowners and Builders; Labour Relations; Cheaper Clothing; Planning of Science; Ideal Homes?; Cotton Yarn Margins.

COMPANY MEETINGS - - - - - 191

RECORDS AND STATISTICS - - - - - 192

Let the People Work

THE Chancellor of the Exchequer did well on Tuesday to begin his survey of future economic policy with two warnings: that the war is not over; and that, after the war, the world will be worse, not better off. The recent rise in war expenditure is an index to the added strain that will grow as this year's offensives assume major proportions. The call for still more men and women in the Services and in war industry, and the pressing need for still more thrift in the use of shipping space and import capacity tell the same story in physical terms. After the war, there will be much leeway to be made up before headway can be made. There will be the vast task of re-mobilising the nation's resources of labour and capital in the new pattern of industry and trade which the changed conditions of the post-war world will demand; and, for a time, the structural unemployment that will arise from any failure to carry out this readjustment may bulk much more largely than the cyclical unemployment arising from periodic depressions to which so much attention is rightly being paid in current analyses. Britain's losses in overseas income and trade connections are hard facts. As Professor Macgregor has put it, "We are not going to have a better social and economic order, or to be in a measurable time better off, because of this war."

The point is that we shall not be better off *because of* the war. We can nevertheless be better off *after* the war

if a new understanding and a new energy can be discovered, if the errors of the past can be avoided and if full use can be made of our capacity. As the problems of war have been overcome, so can those of peace. There is no excuse for pessimism. War wastes or destroys to-day's output, not to-morrow's. The power to produce will remain, the labour, the land, the capital and the skill. The needs of war have been met by the full use of the nation's resources of men and machines, and by the achievement of a high level of productivity in war manufacture; and reconstruction and progress after the war will depend on precisely the same two factors—full employment and efficiency.

Full employment means more than work for all who are willing to work. It embraces efficiency. It means the fullest and most productive employment for capital as well as labour, for plant as well as workers. The idleness or under-employment of material resources subtracts from a nation's real income at least as much as the unemployment of its workpeople. It is estimated that, if unemployment had been eliminated in the inter-war period, the increase in national output might have been something like 10 to 15 per cent per annum, plus the yield on any extra investment undertaken as a result of the high level of national income. But it is possible that the restrictive practices due to monopoly and quasi-monopoly in

industry and distribution, coupled with the rigid policies of organised labour, caused an even larger subtraction from the real national income during the same period. The withholding of capacity and the organisation of scarcity had become chronic, both at home and abroad, before the war. It is a matter of history that these practices and the mentality which they bred very nearly lost the war for this country during its early stages. It is certain that, if they return, they will lose the peace.

The goal of economic policy must be the utmost efficiency, technical and economic, translated into the utmost output for consumption. The need for Britain, in search of this goal, is the utmost adaptability; and every rigidity in industrial, commercial or political life which holds back the power to produce and impedes adjustment is a deadly enemy. The task is not simply to employ all the nation's resources, which is the crude form of the doctrine of full employment, but to employ them to the best purpose.

There will be no sharp break between war and peace. In the armistice period, as Sir Kingsley Wood pointed out on Tuesday, the conditions of shortage and scarcity which produced the wartime controls will remain—and with them, in large measure, the controls themselves. The danger of inflation, if the volume of purchasing power is allowed to outrun the still restricted supply of goods, will be greater than during the war. When the process of remobilisation, transfer, re-equipment, rebuilding and restocking has been completed, under a conscious control designed to put first things first, and avoid the disorderly boom and slump which followed the last war, there is no reason why there should not be “hopeful possibilities not only of restoring but also of raising our standards of living.” But, if the lessons of the last twenty-five years have been learnt, the aims of policy will not alter. They will be the Maximum Output of goods and services and a National Minimum of the necessities of life, in both financial and physical terms, for every willing citizen. This will involve the maintenance of high investment and steady consumption. It will necessitate ways and means of giving priority in the use of resources to essential investment, at home and abroad, and to essential consumption. Capital is the limiting factor in production; there is no automatic abundance just round the corner. Whatever methods of control and supervision are utilised, they will entail the assumption of responsibility by the state, on behalf of the community, for ensuring, first, that the total of investment, private and public, is kept sufficiently large and sufficiently regular to maintain employment; secondly, that consumption, too, is kept high and regular by the redistribution of incomes implied by minimum wage standards and the Beveridge principle; and, thirdly, that a sufficiently large and sufficiently cheap supply of the necessities of life is made available to the public by the translation of the utility principle of war economy into peace terms.

All this is familiar ground. But the discussion which surrounds it is too often unreal. The issue is not Planning versus *Laissez-faire*. The task in each item of economic policy will be to find the method best fitted to achieve the end sought. Occasionally, perhaps, it may be state ownership. More often, it will be state control or supervision. Over a vast field of activity, it will be free enterprise, with only the rules and limiting conditions laid down by the state. Nor is the issue, as some current discussion would seem to suggest, Domestic Expansion versus International Trade. Full employment, in the complete sense of the term, always looks two ways, at home and abroad. It is obvious, for instance, that this country cannot, except as a purely statistical proposition, simply substitute domestic investment for its lost or dwindled overseas assets. The physical need for foodstuffs and raw materials from abroad, a need which will be increased if high employment and consumption are secured, makes imperative the necessity of importing and exporting in return, on the largest possible scale. Similarly, it is evident that, if the United States were to pursue at one and the same time a policy of high domestic investment and the Open Door policy which Britain pursued when the British national income was the highest in the world, there would

be brought into being a power house for world prosperity such as has never been seen. The issue is Restriction versus Plenty. Monopoly, autarky, bilateralism, protection and international agreements to restrain output, all are aspects of precisely the same danger. All result in the reduction of real income just as effectively as the actual idleness of manpower; and the aim of economic policy by and among the nations, if full employment in the real sense is to be sought, must be to extirpate this, too. On Wednesday, Mr Dalton stated right principles: “expansion rather than restriction; expansion, but not inflation; stability of prices, but not stagnation; order, but not rigidity.” But the extent to which the President of the Board of Trade is apparently relying on trade associations to produce his plans for him is definitely alarming. And his reference to the wheat agreement as “a forerunner and a symbol” is, for all the relative virtues of that scheme, hardly less disturbing.

It is most certainly true that domestic and international policies have clashed and conflicted in the past. National deflation to balance international payments or to restore arbitrary exchange rates has left a trail of idle men and idle resources. National inflation to restore international trade has bred economic war and world restriction. But it is not only in the realm of theory that the most fruitful basis for international trade is the utmost expansion in each separate country, or that a necessary condition for the most productive expansion at home is the most abundant exchange with other countries. The requirement is that the policies pursued by the separate countries should be worked out in concert and in tune. This requirement is probably the most pressing of all for the post-war world.

On Tuesday, Sir Kingsley Wood showed himself alive to this need. High among the Five Propositions which he outlined was “an international exchange mechanism to avoid competitive exchange depreciation.” He envisaged a system of international agreement which would render blocked currency balances and bilateral clearings unnecessary; provide an orderly method of determining currency values; eliminate speculative movements of short-term capital; and subject governments tempted to move too far towards deflation to the check of consultation with other governments (the technical implications and the difficulties are discussed in a note on page 172). This and the other four Propositions put forward by the Chancellor perhaps merit the comment “So Far So Good.” He asked for a policy of expansion to maintain employment; the reduction of unnecessary barriers to the flow of goods from country to country; the prevention of disastrous swings in the prices of raw materials and primary products; and the international production of investments for world development. Into these aspirations can perhaps be read the outline of a programme to apply the principles of high investment and steady consumption in both the national and international spheres. But it is only an outline. These are the right questions; what is now needed is the right answers. The task is to translate these Five Propositions into Five Policies—with always in mind that the objective is the highest possible output of goods and services for human consumption and enjoyment, and that the major crime against mankind is restriction.

The issue is between the Particularism, industrial, local, social or national, that restricts and the Communalism that seeks to serve the need of all. The problem is not to find work to do; but to take off the brakes. Professor Hutt in a recent book (“Plan for Reconstruction” by W. H. Hutt, Kegan Paul, 320 pages, 18s.) has stated it graphically:—

The blind *laissez-faire* which has given arbitrary power to trusts and trade unions; the muddled *laissez-faire* which, through fear of cheapness, has forbidden the right to work and employ and so prompted the weakenings of the essence of all economic security: this stupid *laissez-faire* must be replaced by the *laissez-faire* of the economists’ vision, a system under which the state operates through consciously planned institutions to protect the right of every man to produce, and to co-operate to produce, any demanded thing . . . *laissez travailler, laissez créer*.

Let the people work.

Japan Digs In

THE fighting round Australia has flared up again. To the north-west, new enemy concentrations are centred on Borneo. Off the Solomons, the Japanese are making a new and heavy bid for control. Papua and Guadalcanal were setbacks for Japan, but not in themselves decisive actions. The tips of two tentacles were clipped off, nothing more. Australia still stands in danger, and Mr. Curtin has marked the beginning of what may be a new phase in the fighting by putting his view on record that

Time is now fighting on the side of Japan. The reflagging of the Pacific theatre to a holding war means that Japan is buying cheaply the time she needs to exploit the resources she has acquired and to prepare for an onslaught which the United Nations will find it costly to out-fight.

General Tojo agrees with Mr Curtin. He recently called reconstruction in Greater East Asia the “key to Japanese victory in the war.” If the whole area conquered by Japan from the frontiers of India across to the Amur River and southwards to the shores of Australia were functioning as an orderly and productive hinterland to the Japanese war effort, the weight behind the Japanese blow would indeed be overwhelming. But can it be organised in such a manner? However long the lull in armed combat, can the Japanese, already strained by a total war economy, provide the capital, the equipment and the personnel for a major task of reconstruction?

The first necessity for working on such an ambitious scale is energy and unity at the centre in the concerting of plans. The war has brought this unity to Japan. The old paralysing differences in policy between the army and navy, the military extremists, the business world, and the Diet have disappeared. The military authorities are firmly in control. The chauvinists, Suetsugu, Hashimoto, Nakano (the last under duress), have dissolved their patriotic societies; and most of these leaders are now co-operating in the new Taisei Yokusan Seijikai, alongside their old enemies, the “liberal” business men of the Zaibatsu (the industrial financial oligarchy). The Seijikai appears to be a sort of association or official grouping within the Diet to take the place of the old parties and co-operate closely with the Government. The Taisei Yokusankai (Imperial Rule Association) does not seem to have fulfilled its function of providing a single totalitarian party. It still carries on its propaganda and organisational work in the country, but seems to be little more than a branch of the bureaucracy. The new association is the army-dominated Government’s instrument for controlling the Diet. Another example of reconciliation and consolidation was the number of army and naval officers

who for the first time stood for election in the new Diet in April, 1942. Hitherto they had held aloof from the civilian and bourgeois life of politics. The most marked characteristic of the re-elected Diet is the decline of the mildly Leftist groups, the return of all the chauvinist (military fascist) candidates and the great increase in nationalist fervour among ex-party men and business representatives. The Diet reflects the absolute unity of opinion in Japan and the acceptance of complete military domination.

Backed by this enthusiastically subservient legislature, General Tojo has pushed forward with the Government’s plans for the consolidation of victory. The political structure is not complete, but the broad outlines are there. In September, the functions of the Japanese Foreign Ministry were very much diminished. All the various departments and bureaux dealing with the conquered territories—the Kwangtung Bureau, the Manchuria Affairs Board, the China Affairs Board, the South Seas Board, the Foreign Ministry’s own East Asia and South Seas Bureaux—were brought together in a new Greater East Asia Ministry. All embassies and legations are subordinate to it. The Foreign Ministry’s task is reduced to “routine instructions of a purely diplomatic nature.” The Ministry began to function with Kazuo Aoki as Minister on November 1st. Under him and his four assistant directors are the General Affairs Bureau (covering all questions of industry, economics or “culture”), the Manchurian Affairs, China Affairs and Southern Affairs Bureaux. This reorganisation means a great simplification in the administration of the conquered territories and a considerable saving in trained administrators—one of Japan’s narrowest bottlenecks. It is the lynch-pin of a much larger reorganisation covering all the newly conquered territories.

Nanyo—the South Seas area—is now organised into five administrative divisions, all save Borneo under the commanding officer who conducted the invasion. The still very provisional character of the system is marked by the fact that this officer is entrusted with the defence of this area against Allied counter-attacks—which the Japanese clearly expect. These divisions have been designed in part to cut across the earlier frontiers. Siam and Indo-China are not part of the scheme, for they have a special status, “friendly occupied territory.” Burma is retained as one unit, probably because the Japanese claim to be on the point of giving them “the self-government refused them by Britain”; the reason for maintaining Philippine unity is probably also a bait for its nationalists. But Malaya and Sumatra are one unit. Borneo is united into one area planned to “remove the former tariff



EQUITY & LAW
LIFE ASSURANCE SOCIETY
Established 1844

Wartime Service

● In view of the absence of staff on War duties it has become necessary as a temporary measure to close certain of the Society's Branch Offices.

● Arrangements have been made to ensure that the Society's policyholders and annuitants will receive the best possible wartime service.

Head Office: 163/4, STRAND, LONDON, W.C.2. Telephone: TEMple Bar 0381
(temporarily transferred from 20, Lincoln's Inn Fields)

barriers between the different provinces and other obstacles to unification." The rest of the Netherlands East Indies makes up the fifth administrative area.

Japanese policy towards the native populations is still somewhat vague. The White Race has been finally driven out; now it is Asia for the Asiatics and Self-Government within the framework of Co-Prosperity—so much is obvious and clear. But there is still little sign of detailed policy for dealing with the great variety of races and cultural standards found within the new empire. A school for training Malayan administrators has been set up—everywhere the Japanese are short of officials. It is not certain whether the other races of Malaya, especially the Chinese, are to be admitted. The Chinese present a special problem. The millions scattered through the South Seas could be an invaluable pillar of the new regime. They are the only coherent group corresponding to a middle class. They can provide the badly needed doctors, engineers, merchants, technicians. They own a good deal of the property, especially in Malaya. The Japanese are in two minds. On the one hand, they are crushing vigorously all pro-Chungking elements, and fleeing the merchant communities with taxes and "voluntary contributions." On the other, they are trying to bribe potential quislings with offers of British and American property and have a special training school at Nanking for Chinese propagandists who go out to the South Seas and preach the Wang Ching-wei regime. It is too early to know the outcome of this equivocal treatment.

This, roughly, is the administrative framework within which economic reconstruction is to be carried out. The ideal form of this reconstruction has been described over and over again by Japanese writers and speakers in the last eight years. It is another "new order"—the concentration of predominant industrial power in Japan and the building up of Greater East Asia as a closed supply area for Japanese industry. Already, in this first year, plans are developing on these lines. There is a Five-Year Plan for the Philippines. Japan now has a glut of sugar and the Philippines are to be diverted from sugar to cotton, which is one of the new empire's chief shortages. By 1946, it is hoped to have 9.1 million acres under cotton. The sugar refining industry will be dismantled and the machinery devoted to other purposes, such as distilling alcohol. The islands, which used to import thousands of tons of rice and grain from the United States, are to be made self-sufficient in foodstuffs. Sugar production will be concentrated in Java; jute, another shortage, in Indo-China. In Borneo, there is to be intensive development of oil, gold, quicksilver and timber. To finance and guide these ventures, a Bank for the Development of the Southern Areas has been set up under the Bank of Japan with a capital of 100 million yen.

West India?

LAST week, there was a brief debate in the House of Lords on the West Indies. The sole speakers were Lord Faringdon, who asked the Government for a statement of policy in regard to constitutional progress and reform in the West Indies, and the Duke of Devonshire, newly appointed Parliamentary Under-Secretary of State for the Colonies, who replied. It must be said at once that this reply turned the clock back several years. It showed not the slightest sign that a new spirit and vigour is stirring in the Colonial Office, or that that Department realises the dangerous situation in the West Indies. It was the old temporising what-is-all-this-fuss-about? sort of speech that one had hoped had gone with Singapore.

I can only hope [said Lord Faringdon after he had listened to this speech] that British subjects in the West Indies may find the Government reply more comforting than I did.

It will be a vain hope. It is as well to remember that the West Indies have been the scene of general economic distress—for many people acute misery—and of political

The programme of building-up a supply area for Japanese industry involves a number of contradictions which the Japanese show little sign of resolving. The Government is determined to maintain its programme of self-sufficiency in food in Japan, partly for security reasons and partly to keep a large peasantry—the "vital stock"—in being. This strictly limits the amount of extra industrialisation; it also penalises the producers of food surpluses in the new supply area—Siam and Burma and Indo-China. Yet, without further industrialisation, the Japanese cannot possibly maintain their war effort and organise the new empire. All the plans require equipment, machinery and expert control. In the past, Britain, the United States and Holland provided these. They even sent these to Japan who, up to the war, was a large importer of manufactured products. All this has gone. Japan is the only industrial system left to make good the deficit. Japanese industry cannot meet the need. For months now, Siam has been pressing for manufactured goods in return for raw materials. The Japanese have paid in blocked yen only. Lack of tools has held up the work of repairing damaged installations. There is an acute shortage of oil engineers—a new institute has just been opened in Japan to train them *en masse*.

Lack of shipping is, if anything, more serious than the lack of capital and technicians. The new empire is an empire of islands. Nearly everything must be water-borne. The Japanese probably began the war with about 6 million gross tons of merchant ships. Even allowing them the most generous margin for ships captured from the Allies and for a wartime increase in shipbuilding capacity, and giving them the benefit of the doubt in the wholesale sinkings of recent months, it is unlikely that they have more than their original figure now—and probably much less. Yet to exploit the South Seas thoroughly, something in the order of 17 million tons would be necessary. When the Siamese trade delegation returned from Tokyo this summer, they complained that every agreement had been made dependent upon a shipping clause "if shipping is available." This is true of the whole area.

The Japanese are not, as Mr Curtin suggests, settling down to a vast exploitation of their new empire. The process of development is as much a drain on their war effort as a support to it. This does not mean that the blows they will strike will not be formidable or that they have by any means shot their bolt. They may not be consolidating their empire; but they are not fighting much either, and reserves of military equipment are accumulating. Japan is a military menace whether or not Nan Yo is developing according to plan. Mr Curtin is right to remind the Allies how entrenched Japan's position is becoming and how undisturbed its military force.

discontent for a long time. The war has not caused their difficulties; it has only intensified them, chiefly by the shortage of shipping, which has cut them off from their markets and sources of supply. To the poverty, disease, squalor and illiteracy of pre-war days has thus been added a shortage of food and other necessary consumption goods. It is therefore small wonder that the people of Jamaica, for instance, are unconvinced by arguments that they are not fitted for the responsibilities of government. Has the Imperial Government and their own government, they might argue in return, shown itself capable of dealing with Jamaica's problems? The argument that good government is preferable to self-government and bread to the vote, a dangerous argument at any time, loses all validity when the governing power fails to provide the bread.

It is quite true that the Colonial Office and the colonial governments have been making really serious efforts to improve the situation. In Barbados, 35 per cent of the acreage owned by the sugar estates must be planted with food crops. Rice production is being expanded in British

Guiana, for export to the Caribbean as well as for domestic consumption, and rice is to be grown in Trinidad. The Jamaica banana growers have been given financial assistance to switch over to the production of food crops, and prices of such crops are guaranteed. Half of Antigua's food requirements are supplied from local production.

Unfortunately, the efforts of those in authority to cope with the problems are frequently masked by the complacency with which they discuss the problems in public. There has been no sense of urgency in the replies given to parliamentary questions. At a press conference given last December, Sir Frank Stockdale, Comptroller-General of Development and Welfare in the West Indies, admitted a protein deficiency in the people's diet, but actually gave the impression that there was no general food shortage. The interview given last September by Sir Arthur Richards, Governor of Jamaica, to an American correspondent has already received some publicity, but it is worth recalling. After the economic problems had been reviewed as though they were a thing of the past, the Governor was then asked whether Jamaica could be compared with India.

He flicked off his cigar ash and snapped back: "There is no comparison. The conditions are so different. It is yet to be proved that the people even want self-government. Only a small minority group, which is extremely vocal, expresses such views. The great majority of the Jamaicans do not want self-government and do not think themselves capable of coping with all the problems of to-day, including finance, overseas markets and land reforms, just to mention a few of them."

And now comes the Duke of Devonshire's speech with its implied assumption that there is no need for anxiety; everything will turn out all right in the end.

In striking contrast to these official assurances, reports from the West Indies present a very different picture. "Shall We Starve in Silence?" was a headline in a Trinidad newspaper last August. There are persistent complaints of bad distribution, and pleas for some form of rationing. Last summer, there was a considerable increase in lawlessness in Jamaica, and the shops were raided for rice which was alleged to have been held up by shopkeepers for their most-favoured customers. From the same island come complaints of the high price of clothes and of a serious shortage of kerosene, on which the people are dependent for lighting. Jamaica, too, was the scene of extraordinary action by the Governor last summer, when he refused to accept the legality of the Railway Employees' Union and then, after the latter instituted court proceedings, declared it illegal under the defence regulations. At the same time, four arrests were made of persons who were either officials of the union or else associated with the People's National Party. Before the end of the year, the legality of the union was restored, but these men are still detained—it is said for subversion, not for their union or political activities, but the circumstances are very disturbing.

Above all, there is the problem that seems endemic to the West Indies—labour trouble. Little was heard in this country of the riots in the Bahamas last June, but in the words of a local paper it was "the biggest and most disastrous riot in the history of the colony." The evidence given before the Commission of Inquiry into the riots has now become available, and is very revealing. The immediate cause of the riots seems to have been the low wage, 4s. a day, paid for work on an American project at Nassau. This was considered to be merely a relief payment, and the workers thought that advantage was being taken of the prevailing unemployment to fix as low a wage as possible, though the cost of living had risen well above the pre-war level. But the evidence also reveals the unsound economic position of the whole colony and the dissatisfaction with the old reactionary constitution, which, like that of Bermuda and Barbados, means that any reforms have to have the consent of the oligarchy composing the House of Assembly—only one-sixth of the population in the Bahamas has the right to vote, and the property qualification for membership of the House of Assembly is £200. The result is that labour legislation

in the Bahamas is virtually non-existent—with the corollary that the colony cannot be granted funds under the Colonial Development and Welfare Act for projects involving labour.

There is here an inextricable relationship between constitutional reform and economic progress. But even in other parts of the Caribbean, where there is not this mockery of a constitution, the need for more self-government is no less urgent—President Roosevelt himself stated last summer that this was a precondition if the whole of the Caribbean area were to be brought into an economic and social team of benefit to the world at large. In contrast to the President's declaration, the attitude of the Colonial Office is, to say the least, half-hearted. It is two years since a new constitution was proposed for Jamaica. That it has not yet come into force is not the fault of the Colonial Office, for the proposals were turned down by the Jamaican Legislative Council. This rejection was, very properly, in view of the unrepresentative composition of the Council, not accepted by the Colonial Office, but it has done little to secure universal suffrage for the island—one of the main reforms of the proposed constitution—although an agreement has meanwhile been reached between the elected members of the Council and the leaders of the People's National Party and of another party on the constitution wanted. More may be going on behind the scenes: the Governor of Jamaica is in England for consultation at the present time, the secretary of the National Association of Local Government Officers has gone out to reorganise local government in the island, and at last, it seems, a census, an indispensable prelude to franchise reform, is being taken. But the delay has not improved the relations between the Jamaicans and the Imperial and local government and, taken in conjunction with the Governor's ill-chosen words and the victimisation of members of the PNP, may well lead to demands being put forward which cannot justifiably be granted.

Elsewhere in the Caribbean the position is not so potentially dangerous as in Jamaica. But the Duke of Devonshire's own words about the progress of the Franchise Commissions in British Guiana and Trinidad are hardly encouraging. In Trinidad, the Franchise Committee

has been in being since the early summer of 1941, but as it is not an official body it is impossible to put a definite limit on its proceedings.

The same drawback, the Duke went on to say, applies to the work of the British Guiana Commission, and he added, as though it was quite a natural rate of progress, the Commission is at the moment contemplating a visit to the interior before submitting its report.

Even if doubts had not already been felt about the membership of these two Commissions, which ought surely to have been official, the Duke of Devonshire's progress report on their work would alone make one despair.

Possibly the evidence from the West Indies is misleading. The picture may not in reality be so black as it appears. On the other hand, it is quite certain that it is not nearly so bright as official statements would have us believe. It is to be hoped, therefore, that members of the House of Lords, and of the House of Commons, will press for a much franker account of the actual economic and political situation than they have yet secured. They should press, too, for a statement of policy. There are not in the West Indies the communal problems which have for so long held up self-government in India. Nor, however, are there the social customs and traditions which impede development in, say, Africa. The Caribbean, in fact, is an area which is ripe for the energetic pursuit of the New Imperialism outlined so eloquently by Mr Morrison a few weeks ago. "Political enlightenment and humane integrity," matched by "constructive social and economic policies," could make the Caribbean a model of colonial administration. But, if they are lacking, the Governor of Jamaica's statement that there is no comparison with India may well be proved wrong; there will be another running sore in British imperialism; and the archaic name given to the West India Royal Commission will have been justified.

The Luxury of Saving

EVERY week, the National Savings Committee publishes a figure of the amount saved through purchases of National Savings Certificates and Defence Bonds and through increased balances in the Post Office and Trustee Savings Banks. The weekly figure is in the neighbourhood of £10,000,000. It is variously interpreted. In the House of Lords, on September 30th last year, Lord Gainford quoted the figure as showing "that there has been a margin of profit over and above what is necessary for maintaining the standard of living and the ability of the people to buy what they can either in the way of clothes or food." Mr Kalecki, on the other hand, concludes in an article in the Bulletin of the Oxford Institute of Statistics for October 31, 1942, "that a major part of 'small' savings is to be accounted for either by transfers from other investments or by the current savings of large savers. This is not only due to the savings campaign, which makes people think that it is particularly patriotic to invest as much as possible in small savings at the expense of other types of investment, but to the very advantageous terms which small savings offer to an investor." Lord Kindersley described the January increases in savings as reflecting the satisfaction of the people with the war situation. "We are," he said, "keeping in step with Russia and the Eighth Army by our savings."

Hitherto, attention to the savings campaign has concentrated on whether or not it was adequately helping to fill the inflationary gap. The present value of saving, as a means of reducing unnecessary consumption, has obscured the future value of saving, as a means of providing the wage-earner with something to fall back on after the war. It is, therefore, very important to decide whether small savings are at all equally spread over the wage-earning population, or whether they are highly concentrated in certain parts of it. If the latter, then the main social effect of war savings will be to consolidate a section of the wage-earners as a special property-owning class, the class of the rentier proletarians.

Data on saving by wage-earners are scarce, but an inquiry has been made by Mr Charles Madge, under the auspices of the National Institute of Economic and Social Research, which will shortly be published as an "Occasional Paper" by the Cambridge University Press. Details were collected in Leeds during 1942 about the saving and spending of a random sample of 1,304 wage-earning families. In this article, use is made of the results shown by 715 families where saving and spending added up to the income for each family, within a small margin, and which may therefore be considered substantially accurate.

The figures show a remarkable tendency for National Saving to be concentrated among a few families. Of wage-

earning families, that is, excluding those who derive their income from pensions, 44 per cent were not contributing at all to National Saving, while 30 per cent saved more than 2s. 6d. a week, and their saving made up 90 per cent of all National Saving by wage-earning families. It was similarly shown that 18 per cent of families saved more than 5s. per week and contributed 76 per cent of total National Saving; 9 per cent saved more than 10s. a week, contributing 56 per cent of total saving; and 3 per cent saved more than 25s. a week, contributing 31 per cent of total saving. A small number of families clearly contributes a phenomenal amount of the total saving. In the future, this small group of families, if it keeps on saving at the present rate, will have a tidy sum put by at the end of the war. But for the great majority of wage-earning families there will be little or nothing.

If the small group of high-saving families is examined in more detail, it is possible to make some cautious generalisations. As a rule they are families which, when they have paid rent and rates, income tax, state insurance, travelling expenses and the cost of food, fuel and clothing, have still got an "excess income" of £2 10s. or more. On an average, and subject to variations in the membership of different families, this means that heavy saving will tend to begin with a gross family income of more than £6 10s. a week. It should, however, be stated that not all the heavy savers have so much as £2 10s. in "excess income," nor are all those who have £2 10s. in "excess income" heavy savers. There is another variant—the individual's or family's propensity to save. Those with high "excess incomes" who are not saving appreciably tend to be spending the money on furniture instead. It also appears that high savers spend less on food, alcohol and tobacco than low savers, though both groups spend the same amount on clothes. This suggests that there is still a marginal or "luxury" element in food spending, to which saving may be the alternative.

The Leeds inquiry shows that in saving other than National Saving—for instance, industrial assurance, super-annuation schemes, and so on—there is a correlation between thrift and social grade: skilled manual workers save more than unskilled, and black-coated workers save more than manual workers, irrespective of their income levels. This correlation does not appear to exist in National Saving. Moreover, the proportion of income saved by insurance methods decreases with rising income, so that, in terms of Engel's Law, insurance saving behaves like a "necessity." National Saving, on the other hand, forms an increasing proportion of income as income rises—in other words, it behaves like a "luxury."

Among wage-earners, in fact, National Saving is still a new habit and, in their eyes, a luxury one. It is not clearly related to social grade or even to income at the lower income levels. In practice, the heavily saving families are most typically the childless families, especially those where the wife is working as well as the husband. Under such conditions, the joint earnings of husband and wife commonly raise the family income to the level at which, as has been said, National Saving may be expected to occur on a large scale. It is such families, presumably, which will also be getting substantial "post-war credits" refunded to them. One great advantage of the "post-war credit" is that it provides a large number of wage-earners with a small capital sum, irrespective of their propensity to save. The voluntary saving campaign has not the same advantage. It is not claimed that this Leeds survey is necessarily typical of the rest of the country. But the results are certainly suggestive. It is also of interest that similar results have been observed in Germany, where (according to Dr Singer in an article in the *Economic Journal* of December, 1942): "Budget enquiries have led to the startling conclusion, much discussed in the journals, that savings come mainly from the middle classes, and that workers save very little."

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

NOTES OF THE WEEK

War and Distribution

The war of production has become a war of distribution. This is well illustrated by the conferences and conversations which have taken place in Africa, Turkey and Brazil recently. For obvious reasons, not much is known about what was actually said at these meetings; but it is obvious that their one common theme was the problem of supplies. It is not only a question of the deployment of war material. In last week's *Economist*, the serious food position in India was discussed. On another page this week, the food shortage in North Africa is examined. In the Middle East, food supplies are the basis of every political consideration. As the war intensifies, production, both industrial and agricultural, grows, but shortage spreads. The offensives which were worked out in detail at Casablanca depend entirely upon the movement of supplies and transport. The urgent requirements of Turkey, which Mr Churchill discussed at Ankara, are supplies of war equipment and civilian necessities. The three threats to world supplies are distance, shipping space and the U-boat campaign. In Brazil, President Roosevelt no doubt discussed the defence of the vital supply line which runs northward along the long Brazilian coast. The crucial fact which emerges in this, the preliminary phase of the most intensive fighting of the war, is that concentration on world war means world shortages—however high world output may be. Everything is scarce in total war. The urgent need to check the successes of enemy submarines is underlined by the double necessity to bring Allied war output to the decisive theatres in time and, simultaneously, to feed and nourish all friends and allies. The call to cut down every surplus in the consumption of Britain and the United States is underlined equally. And there is a warning for the post-war period. The U-boat menace will then have been ended. But distance and shipping space will remain limiting factors. In order that the promise to supply a world ravaged by war may be matched by performance, it will be necessary to maintain, for no short time, the most stringent restrictions on every kind of otiose consumption, whether of food or materials.

Demmed Elusive

The attempt to keep up with Mr Churchill's peregrinations seems to be causing the *Wilhelmstrasse* something of a headache. The official spokesman was reduced to speechlessness by the news that on January 30th and 31st, when the Nazi bosses were engaged in anniversary celebrations, the British Prime Minister, accompanied by an imposing diplomatic and military suite, put up his caravan for two days in a Turkish railway train at Adana. Apparently, it was not until February 2nd that Papen, who as German Ambassador in Ankara might be expected to be closely in touch with developments, had an interview with the Turkish Foreign Minister, M. Numan Menemencioğlu. The flying visit is an illuminating commentary on the military defeats which Germany has suffered in Russia and North Africa. The content of the discussions between President İnönü and Mr Churchill is only very partially revealed by the official statement. Obviously, the supply of material aid—under Lend-Lease and under the terms of the Treaty of Mutual Assistance of 1939—must have bulked very large. Only in recent months has the equipment, whose supply was originally pledged by France and Britain and later by Britain and the United States, arrived in reasonably large quantities. Even in the military crisis last summer, when a German army was rapidly advancing on the Caucasus, supplies of modern weapons, of tanks, guns and aircraft, cannot have been adequate. It is only now that "general defensive security" is becoming a reality rather than a heroic aspiration. It is almost more important that Mr Churchill and President İnönü reached agreement on post-war problems. Last December, the Turkish press showed some anxiety lest Mr Eden's statement on the rôle to be played after the war by the four great military powers among the United Nations would in some way prejudice the independence of small states. There was some doubt whether, even in the Allied post-war world, the voices of the smaller nations would be heard effectively. In spite of the renewed friendship with Russia, there was

inevitably increased fear in Turkey for the integrity of the Dardanelles. The future course of the war was certainly discussed at Adana; perhaps the possibility of joint action in new areas was raised. But more important was the satisfactory resolution of those supply difficulties which have hitherto rendered Turkish neutrality so vulnerable and of those misunderstandings which have tended to obscure post-war policy.

The Eastern Mediterranean

The Prime Minister's visits to Turkey and Cyprus have brought the eastern Mediterranean and its military potentialities into the limelight. The press has been warned against reading too much into the communiqué on Mr Churchill's journey to Turkey. But some of the military and political elements of the situation are clear enough. First, there is the obvious fact that the Allied armies in the Middle East (Iran, Iraq and Palestine) have been set free by the conclusion of the Libyan campaign. They may either be used against the Japanese in Asia, or they may add to Allied strength in storming the European fortress. The priority which the European theatre of the war is being given in Allied war schemes seems to leave little doubt which way the decision has been taken. After the clearing of the eastern Mediterranean from the enemy, the feeling in Turkey is one of supreme relief. The nightmare of German conquest has faded; and the time of neutral timidity has gone. Turkey's self-confidence can only be strengthened by the knowledge that whatever the dangers ahead, a new Allied force is ready to cause an additional drain on the overstretched armies of the enemy. The chapter of defence has been closed in the eastern Mediterranean, too. And Cyprus, which was a defensive outpost for two and a-half years, may now be the potential stepping stone for an Allied offensive. It was there that the Prime Minister spoke of "the light breaking in the sky which will herald a day when Greece will be delivered." The Axis commands have now the unpleasant task of guessing what is going to be the next Allied move. But whatever guess they make, and whatever decision they take, the result can only be a further dispersal and stretching of their manpower and weapons.

Air Power

Whatever the state and amount of the air equipment now vouchsafed to serve the Navy, and the Mercantile Marine, it is plain that these needs have been only ill-served in the past. The appointment of a new Fifth Sea Lord to take responsibility for the equipment of the Fleet Air Arm was an admission of criticisms which had long been made. In last week's Lords debate, when blame for earlier shortcomings was thrown by various speakers upon the Admiralty, the Air Ministry, the Ministry of Aircraft Production, the aircraft industry and the Cabinet, one thing was clear, even in the apologia of the Government spokesmen—the planes supplied for sea purposes have been inadequate in both quality and quantity. Nor can it be said that this is excused by the priority of more urgent requirements. There has never been any more urgent requirement than the protection of British shipping. Miracles have been done with insufficient material. Now, when shipping is more crucial than ever, it is to be hoped that there will be no more deficiencies either in equipment or in organisation. Especially, it is to be hoped that the old inter-Service controversies will be allowed to die down, and that the use

FULL EMPLOYMENT

The recent articles and letters in *The Economist* on the ways and means of securing Full Employment after the war have been reprinted as a pamphlet. Copies are now available (price 6d.); and applications should be made to *The Economist*, Brettenham House, Lancaster Place, London, W.C.2. (Tel. Temple Bar 3316.)

of air power at sea will from now on be applied according to the doctrines, and under the command, of the kind of combined strategy which alone is likely to be effective in modern warfare. The demand last weekend of a meeting of merchant seamen for more aircraft protection for convoys was apposite. It is a demand that the whole nation may echo.

The Rainy Season

No appreciable progress has yet been made in Tunisia. The military experts agree that the rainy season makes a big push impossible just now. If this is really the case, large-scale campaigning will not start for some weeks. The enemy is gaining valuable time. It looks as if Allied action was too slow or too slight to prevent a junction between von Arnim's and Rommel's armies. In the Pont du Fahs region, the Germans have gained some ground, and in the south they seem to have established a fairly strong defence line from the Faid pass down to Maknassi. Rommel is still able to use the coastal corridor between Tripolitania and Tunisia. A point which deserves attention is the reported appearance of the heaviest German tanks in the fighting. There is some discrepancy in the reports, but several speak of 62-ton tanks armed with 88 mm. guns—a type of tank not used in Africa before. It needs a very detailed knowledge of the local terrain to explain why the rain, which so impedes the Allies, has not prevented the enemy from using such heavy tanks on muddy ground. The suggestion that the Allied forces in Tunisia are not yet adequately equipped to meet a heavily armed, though numerically weaker, enemy may be right; and the position may well change altogether when the manpower and the equipment of the Eighth Army is thrown into the scales. The layman has to suspend judgment until the sun or Montgomery clears the rainy skies.

Clearing the Air

So far the only concrete result of the meeting between General Giraud and General de Gaulle at Casablanca is that the two movements are to exchange missions. This liaison is better than no contact at all, but, by itself, it is obviously very unsatisfactory. M. Massigli, the most recent arrival from France and a distinguished diplomat, has testified to the fact that in France de Gaulle and Giraud are both synonymous with resistance and as such are linked in men's minds. That belief must be made a fact. It can at least be said of the Casablanca meeting and the various pronouncements which have followed it that the psychological atmosphere has been improved. General Giraud's generous tribute to de Gaulle and the greatness and rightness of his stand for the last two years will not only help Fighting French opinion. It will do something to silence a lot of unworthy and damaging chatter in the United States about the running of Fighting France by the English for their own—presumably sinister—ends. Similarly, General Eisenhower's statement on the complete unity of British and American officials in North Africa and Mr Eden's plea to the Commons that the North African arrangements should be given a fair trial should put an end to the artificially exaggerated resentment felt by Americans over British criticisms of North African policy. A thinning of the psychological clouds over the French situation will let in more daylight on the crucial problem—fighting the Germans. The fight will obviously go better if Britain and America, de Gaulle and Giraud are at one in their policy and arrangements. The resources of resurgent France are still so small that they must be pooled, just as, with the arrival of General Leclerc's army from Chad, they are being co-ordinated on the Tunisian front. General Giraud has stated his views on unity—anyone may join who wishes to fight the enemy. The criterion is sound and, if applied to the followers of both Generals, could be the basis of fusion on a sound and representative basis. General de Gaulle's movement is, on this criterion, too narrow. Many excellent men—one need only think of Admiral Muselier—who wish to fight the Germans, are excluded. General Giraud's movement is too wide. It is difficult to be convinced by the General's defence of the time-server, Peyrouton; and the military position is too delicate to leave men in places of trust whose loyalties can suffer a pendulum swing with every change in the fortunes of war. If the leaders feel unwilling to take these steps,

America and Britain, from whom come all the military supplies and on whom will fall the political consequences, must with all possible respect make this point of view prevail.

Old and New Battles

On the Russian front, old battles are being brought to a victorious end and the ground is perhaps being prepared for the opening of new ones. The epic of Stalingrad has found its epilogue in the surrender of Marshal Paulus with twenty-three other German generals and the remnants of their armies. The dramatic scene of the surrender—as reported by Soviet sources—has no precedent in the history of this war, at least since the French capitulation at Compiègne. The battle of the Caucasus, too, has run its course. The Maikop oil fields are back in Russian hands, without having contributed a drop of fuel to the petrol tanks of the Panzer divisions. If the German drive to the Caucasus was really actuated by the thirst for petrol, then the oil balance of the campaign must now show a very heavy deficit which may severely affect German mobility in future operations. The reconquest of the western Kuban valley, with Krasnodar and Novorossisk, can now be taken as certain. The enveloped German force there is probably much smaller in size than was von Paulus' force at Stalingrad; it has consisted mainly of Alpine divisions picked for the special task of crossing the Caucasus mountains. Further to the north, about half-way between Rostov and Voronezh, the Russians have pushed forward from Svatovo towards the Donetz. Here, the shifting front line has again taken the shape of a wide bulge, based on Rostov in the south and on the Donetz in the north; inside that bulge lies the famous coal basin, the recapture of which may ease the strain on Russia's fuel resources, just as the recapture of the Caucasus and the Don region before the spring sowing may better the food position in the second half of this year. Still further to the north, east of Kursk and Kharkov, the Russians have intensified their activity during the past week. And the possibility of a resumption of an offensive towards Kharkov cannot be ruled out; this time the Russians may have more success than they had during Timoshenko's offensive in May last year.

Aid for Russia

Lord Beaverbrook has apparently decided that the Second Front should be opened in Russia itself, in the form of much larger direct assistance to the First Front. "We must send supplies to our Russian friends and support the Red Army in a daring offensive of our own," he told the House of Lords on Wednesday. He recognised that supplies had already been sent on a considerable scale by this country—nearly 3,000 tanks up to the end of last year (according to Lord Portal, who replied) and nearly 2,500 aircraft. His point was that these totals are very small beside the masses of metal and equipment which are being used by both sides on the Russian front. Britain's actual commitments to the Soviet Union, he admitted, have been fulfilled; but the necessities of the war, he argued, now demand more. Germany is being beaten in Russia; the "soft belly" of the Axis is there, softened by Russian blows. It would be interesting to know the views of Premier Stalin on Lord Beaverbrook's plea. Plainly the Russians would like as much direct aid as can possibly be sent. But it seems no less sure that they want a Second Front elsewhere in Europe with the utmost speed; and Lord Portal's contention that the African offensive, which is the prelude to an attack on Europe, necessarily limited the scope of extra shipments to Russia was pertinent. Moreover, transport difficulties and dangers themselves set a limit to the cargoes that can successfully be shipped to the Soviets. On the other hand, it is unmistakably true that no effort must be spared to increase the weight behind Russia's killing blows; and the earliest practicable opportunity must be taken to join forces with the advancing Russians in the north or in the south.

Money and the Exchanges

Sir Kingsley Wood's reference to post-war monetary policy were notable for one exclusion: not once was the word "gold" mentioned. In the view of the Chancellor,

the basic objective to which monetary and economic policy must be subordinated is "active employment for our people." He expressed the hope that, by maintaining essential controls during the post-war period of shortages, it will be possible for the price level in this country to settle down "at a figure not far different from what it is at present." If that objective is to be achieved, it will call for tremendous technical operations designed to mop up and fund the pent-up volume of purchasing power that will be liberated in the early post-war years. It was in his references to the international exchange mechanism that the Chancellor was most explicit and informative. He visualised the creation of an international monetary authority which would provide orderly and agreed methods of determining the value of international currency units and which would eliminate the danger of each nation, by unilateral action, seeking to restore its competitive position by exchange depreciation. The mechanism would not be blemished by blocked balances or bilateral clearings. It would

free the international monetary system from those arbitrary, unpredictable and undesirable influences that operated in the past as the result of large-scale, unco-ordinated speculate movements of short-term capital.

The mechanism thus envisaged is obviously of the multi-lateral clearing type, operated by central authorities in each participating country, and subject to the control of an international authority whose decisions would clearly have to be backed by sanctions of some form if they were to be effective. That authority would have to exercise the control over international investment which Sir Kingsley Wood envisaged as part of the post-war financial mechanism. These are the lines along which the great minds at the Treasury are working. They conjure up a system of financial controls into which the former pattern of the international banking system may not find it easy to dovetail. It will take ingenuity and patience to reconcile the control of exchanges that will be required to prevent "undesirable" movements of short-term capital and the control of overseas investment with that freedom of enterprise and initiative which Sir Kingsley Wood regards as essential to the functioning of a "very large part" of our industry.

Hopes and Promises

The speeches and Hitler's proclamation on the tenth anniversary of the Nazi regime all struck a common note. A parallel was drawn between the position of the Nazi party shortly before January 30, 1933, and the position of Germany now. Then the Nazi party had suffered a big reverse; now Germany, fighting the same enemies in a world war, has suffered a serious setback. All the speakers argue that, as they won through in 1933, so will they triumph this time. The prolonged German resistance at Stalingrad has given the Nazis the chance to add more to their stock of legends, and it has served as a symbol of Germany's selfless fight against Bolshevism for the sake of European culture. Gone is the proud claim of Goebbels that the war is being fought by Germany for the vast economic resources of the Soviet Union. Instead, Germany appears once more as the saviour of the world against the Bolshevik terror. Britain, Goering said, should be fighting on Germany's side in this fight; and the Bolshevik bogey is being used in an attempt to lessen the ardour of Britain and the United States in their fight against the Nazis. But not even Goering, Goebbels and Hitler can hope that this sinister leaven will work with any rapidity in the Allied ranks. The one thing Germany must do, whatever may happen later, is to make a successful stand against Russian arms. There is no doubt that the Nazi leaders do think that a last great effort by the entire German people will enable them to get through the coming year. Germany is on the defensive. But one tradition in Germany is very strong; a mere defensive is impossible and tantamount to defeat. They must attack while they defend. And it is for this purpose, for attack as well as for the vast task of defence that has been forced upon them now, that the Germans are being asked by every means of propaganda for their last ounce of strength. Goebbels has used all his oratorical skill to point out that the common people of Germany will have the satisfaction now of seeing well-to-do people and, particularly, the idle rich ruthlessly compelled to do war work. This is no mere demagoguery. It is a necessity. This is the basis of the Nazis' last great effort. They are determined to continue the war; and the hopeless resistance at Stalingrad shows the power the regime still has over its soldiers. The fact that Hitler made no appearance on January 30th is being used to present him again as the

undaunted leader. Outside Germany, Hitler is already revealed as a supreme blunderer. Inside Germany, he is still displayed as the man who will save Germany, Europe, and the world from Bolshevism.

The Civil Service

The Government has gone a little way towards meeting the criticisms and recommendations put forward by the Select Committee on National Expenditure about the organisation and control of the Civil Service. But Sir Kingsley Wood's statement will not do much to satisfy the more impatient critics of the Government machine. He announced in the debate in the House of Commons last week that an investigation is being undertaken into the recruitment, training and retirement of civil servants, and that the proposals of the Select Committee for a Staff College will be given careful consideration. On the question of Treasury control, the Chancellor agreed that some official of a higher status should undertake responsibility for organisation and methods of work, but he would not concede that a third Joint Secretary should be appointed to deal with establishment matters. The issue of the relationship between the Treasury and Government departments remains where it was. The debate, which is apparently the first on the subject of the civil service to be held in the House of Commons since the war, was on the whole valuable and constructive. Tributes were paid on all sides to the wartime performance of the 700,000 civil servants now employed. The criticisms directed against civil servants are now familiar; they are slow, unwilling to take decisions and ready to "pass the buck." But these criticisms, which are not wholly unjustified, are due primarily to the present system of recruitment and organisation, to the peculiar methods of promotion in the service and to the relatively low standards of remuneration. The defects, no less than the peculiar virtues, of the civil service have been shown up in wartime, when initiative and imagination are qualities which rank as high as integrity and devotion to duty. An enquiry into the recruitment and training of civil servants would not solve the immediate problem of improving wartime efficiency; but it could, nevertheless, be directed to ensure a wider opportunity of entry into the service and the utilisation of qualifications that will be essential in the problems which the Government will have to face in the post-war years. The reform of the Foreign Service has set the pace for its larger colleague.

Consider the Mosquito

Few raids can have given the British people more human satisfaction than the raid by Mosquito bombers on Berlin which sent Goering to his cellar and delayed his January 30th speech by a full hour. Goering is the Nazi leader most closely connected with the savage raids on Britain and with a shape and character most apt for deflation. The Mosquitoes' repeat visit in the afternoon to disturb Goebbels rounded off—with only one plane lost—a joyous occasion. The performance of the new Mosquitoes should

INSURE WITH



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

give the British people more solid grounds for satisfaction than even this superbly executed cocking of a snook. At a time when gloomy critics talk of the decline of British enterprise and of Britain's un-competitive position in the post-war world, it is no bad thing to consider what British designers have evolved and British workers executed under the stimulus of war. The output of the war factories, man for man, still leads the world—in itself a tribute to the technical skill of managers and workpeople. The argument from design—the design of the Spitfire, of the Lancaster, now of the Mosquito—is even more encouraging. It must have taken imagination and daring to conceive a Mosquito—built all in wood, with a top speed of perhaps 430 miles per hour, and 2,000 horse-power engines, carrying a bomb-load of 2,000 lb., yet, when the bomb-load has been dropped, outpacing the fastest fighter. These wooden aircraft are not built just for cocking snooks, as the Germans know well by now. In a series of day raids they have executed notable destruction on plants and factories in Europe. They prefaced the trip to Berlin by a devastating raid on the Diesel works at Copenhagen.

More Womanpower

The German attempt to find women for war work by added compulsion is discussed on page 182. Britain's mobilisation of womanpower has been virtually complete for some time. The only reservoir left is the small number of married women without children who have no jobs other than their own domestic duties. Mr Bevin now intends to call on these. It should be noted that he has always had power under Regulation 58A to direct anyone to do any work, but in practice he has not used his powers to direct women to part-time work. The result has been that women with homes to run have been exempt from war work because their domestic duties have been considered a valid reason why they should not undertake full-time work outside their homes. Many of them are already, of course, doing part-time work in the Women's Voluntary Services, the Red Cross, in wartime nurseries, and so on. But there are others who are not, and, in any case, Mr Bevin's new application of his powers should ensure that the part-time work done by women with home ties is really worth while. Women with children under 14 living with them will be exempt. The other new measures announced by Mr Bevin last week are the amendment of the Employment of Women (Control of Engagement) Order, to include women from 18 to 40 years of age instead of 30 as at present, and a new Order requiring compulsory notification to an employment exchange when a man or woman leaves employment. These two measures are to ensure that the Ministry of Labour keeps track of all men and women when they change their employment. The first means that women up to 40, except those with children under 14, can only obtain employment and be engaged through an employment exchange, with the exception of certain specified employments. As a result of the other measure, all employers will have to notify an exchange when any of their workers up to pensionable age (65 and 60 for men and women respectively), whether full-time or part-time, leave their employment. Thus, though the new measures will not secure any large new supplies of man-

power for war work, they will, or should, ensure that every man and woman is doing a job which the Ministry of Labour considers to be necessary in the national interest.

Catering Wages Bill

Mr Bevin's eagerly awaited Catering Wages Bill has now been presented to Parliament. The Bill proposes to establish a Statutory Commission, which will be empowered to examine the arrangements for regulating the remuneration and conditions of employment in the catering trades; to report where these are adequate or can be made adequate; and to make proposals for the establishment of Wages Boards where the arrangements are inadequate or non-existent. The Commission is to consist of not more than seven persons, and will include independent members and people qualified to represent the views of employers and workpeople who are not themselves directly connected with the trade. The workers covered by the Bill are all those employed in an undertaking engaged in the supply of food or drink for immediate consumption, or providing lodging accommodation. If the Minister of Labour decides, on the basis of the Commission's report, to establish a Wages Board, he will issue an Order accordingly. The Wages Boards will be composed of not more than three independent persons with representatives in equal numbers of the employers and workers. They may submit to the Minister proposals for fixing rates of remuneration, either generally or for any particular work, fixing the intervals for meals or rest, and holiday arrangements. The Wages Boards may make recommendations in connection with health and welfare facilities and on "any matter affecting the efficiency or development" of the section of the industry with which it is concerned. It will be free to deal with the question of tips. These proposals seem modest enough, and it is difficult to see why, in themselves, they should have given rise to such intense opposition. Judged by the text of his Bill, Mr Bevin does not suggest imposing immediate regulation on the whole of the trade; and, presumably, if the conditions of employment are shown to be already satisfactory in any branch, there will be no occasion to introduce wages board machinery. The Minister may be assumed to have Cabinet backing for his Bill; and it may still be that not all the 200 Conservative MPs who originally expressed their determination to oppose the Bill will be prepared to carry their opposition into the voting lobby.

Town and Country Planning

The Archbishop of Canterbury, at a Conference on "Planning for Living" held at Canterbury last week-end, issued a salutary warning that the term "planning" might become "a smoke screen behind which designs, either based on abstract theory or prompted by selfish interests, are promoted." It is clear that the Town and Country Planning Association are thinking along concrete and socially desirable lines. Mr F. J. Osborn, the Secretary of the Association, described a scheme for decentralisation which would prevent the conglomeration of population in large cities and encourage the settlement of industry and

people in small or medium-sized towns. Many existing towns could be developed and some 40 or 50 new towns could be built under a system of satellite towns, each with an independent social life but linked economically to the parent cities. A city the size of London might have 10 or 12 such towns, Birmingham three or four, Manchester and Liverpool two or three, Bristol and Southampton one or two, and so on. Unless something on these lines is planned, there is a real danger that country towns, which have progressively declined in recent years, may sink into permanent economic depression. Contrary to some agriculturalists, Mr Osborn thinks that whatever national policy to develop agriculture is adopted, the numbers engaged in farming will certainly not increase after the war, and are more likely to decline with the introduction of large-scale and mechanised farming, so that the *raison d'être* of most country towns—the marketing of agricultural produce—may shrink. Such a scheme might revitalise these towns and give them prestige and a new social and cultural life. It might arrest the drift of population to the large industrial centres, without artificial and costly stimulants, where the recommendations of the Scott report might only intensify the division between town and country by creating artificial barriers and by isolating country dwellers from the impact of industry. There is no reason why factory life should not be carried on in healthy surroundings, and with a well-developed transport system the old arguments of the advantages of placing firms near their markets and the centres of commerce have lost much of their validity.

Child Casualties

The country was naturally shocked when it read of the bombing of the LCC school at Lewisham, when 42 children lost their lives. Similar feelings were aroused by the bombing of the boys' school at Petworth last summer. Yet 1,315 children were killed on the roads in 1942, and the country does not shed a tear. Partly, of course, this confusion of sentiment is due to the fact that road accidents do not as a rule affect more than one or two children at a time; an accident to a charabanc carrying 30 children on a pleasure trip would perhaps stir the national emotions as strongly as did the bombing of Lewisham. There is, too, the feeling that bombing is deliberate. Whether the German pilot knew he was bombing a school or not, he knew he would kill someone by his bombs, just as an RAF pilot knows he will kill people, including children, when he bombs Germany. But it is surely wrong to allow this factor to dominate the emotions too strongly. War is deliberate killing, and a nation which goes to war must accept the killing of children as one of war's inevitable horrors. But the killing of children on the roads need not happen. It is the result of negligence, sometimes criminal negligence, but more often pure carelessness, and the nation's conscience should be moved far more deeply than its emotions are by children's deaths in air-raids. Since the beginning of the blitz in September, 1940, about 5,500 children have been killed in air-raids. From the beginning of 1940 to the end of last year, nearly 4,000 have been killed on the roads. Although total road deaths in 1942, at 6,926, were 2,243 fewer than in 1941—an improvement probably entirely due to the reduction in vehicles on the roads—children's deaths, at 1,315, were only 147 fewer, and were actually 138 more than in 1940. It is easy to explain these casualties to children by the preoccupation of their parents with work and their consequent inability to supervise their children. But to explain is not to excuse the parents themselves; the local authorities for not providing playgrounds where children enjoy playing; the police and the magistrates for not enforcing the traffic laws and for letting careless motorists off too lightly; and the band of motorists themselves. What is wanted is the full awakening on the part of all concerned—which means the whole country—to the needless, senseless tragedy taking place on Britain's roads, not every now and again, but day by day and hour by hour.

War Damage

The main object of the War Damage (Amendment) Bill, introduced in the House of Commons last week, is to alter the formula for determining whether a bombed building should be classified as a total loss, qualifying for a "value" payment, or whether it is worth restoration, qualifying for a "cost of works" payment. The War

Damage Act of 1941, as amended by the First Schedule to the War Damage (Amendment) Act, 1942, provided for three tests, namely, an estimate of the cost of making good the damage; an estimate of what the property would be worth in the market if and when the damage is made good; and an estimate of what the site would be worth in the market for redevelopment. No difficulties have arisen in determining which of the two varieties of payment are applicable in the case of slightly damaged buildings. But when houses have suffered severe damage it has been difficult to apply the formula, for it is almost impossible at this stage to forecast the course of building costs and the market price of buildings. As a result, the work of the War Damage Commission has been held up and owners of severely damaged buildings had no means of knowing whether they would ultimately qualify for a cost of works or a value payment. In view of the difficulty of applying the original formula, the Government has decided to substitute for it estimates based on prices and values at the end of March, 1939. Thus, in future the test will be whether or no a building would have been worth restoring at the pre-war level of building costs and values. The new Bill, in fact, removes an anomaly in existing legislation and its provisions should enable the War Damage Commission to reach an earlier decision about the classification of severely damaged buildings.

Shorter Notes

During November one person, a British subject of enemy origin, was detained under Regulation 18B. At the end of the same month, 491 persons were detained under the regulation, of whom 74 are cases in which the recommendation of the Advisory Committee that they should be released has not been accepted.

In *The Economist* of January 23rd, in a note on the Roumanian war losses, on page 102, it was erroneously stated that some 500,000 Roumanians had been killed. This is, in fact, the estimated figure for all losses—killed, wounded and missing. Taking the official German figures issued for the first fifteen weeks of the war as an average, it is possible to estimate that 113,655 men have been killed, 430,950 wounded, and 85,000 are missing. This total of casualties is a little over the 500,000 mark, and is probably substantially correct.

Total income of the Unemployment Fund last year was £78,476,000, and the expenditure on benefit, cost of administration, etc., was £6,656,000. The income on the agricultural account was £1,593,000 and the expenditure £355,000.

More than a century's accumulated business experience and conservative progress form the background of the comprehensive service which the Westminster Bank is able to place at its customers' disposal.

The Bank's vast resources, its constant touch with current affairs and its extensive system of branch offices in England and Wales and agents elsewhere, combine to enable it to offer a wide range of facilities, details of which will gladly be given on request by the manager of any branch.

WESTMINSTER BANK
LIMITED

Head Office: 41 Lothbury, London, E.C.2

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

Capital Authorised & Subscribed	-	-	£10,000,000
Capital Paid Up	-	-	£2,500,000
Reserve Fund	-	-	£3,000,000

Head Office: 10, CLEMENTS LANE, LOMBARD STREET; and 77, KING WILLIAM STREET, LONDON, E.C.4
London Wall Branch: 63, LONDON WALL E.C.2. West End Branch: 9, NORTHUMBERLAND AVENUE, W.G.2.
New York Agency: 67, WALL STREET.

Over 380 Branches, Sub-Branches and Agencies in South, East and Central Africa.

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED AT ALL BRANCHES AND AGENCIES

AMERICAN SURVEY

Why Renegotiation? (From Our New York Correspondent)

THE United States had been immersed in the Second World War only a few weeks when two news stories served to focus the attention of the nation and Congress on the need for effective anti-profiteering legislation. In the first of these stories the ghost of World War I walked again. It was the story of a decision handed down by the Supreme Court on February 16th last year in a suit instituted twenty years ago by the United States Government to recover from the Bethlehem Shipbuilding Corporation what it termed "unconscionable" profits made by that concern on shipbuilding contracts in 1917 and 1918. The Court in a six-man decision found for the company four-to-two; but the public was perhaps more interested in the statement of the Court from which the finding largely flowed, namely, that the profits of 22 per cent made on the contracts involved were not "grossly in excess" of others of that period. "If profits earned under Government contracts in general (in the World War I period) are taken as the standard of comparison," said Justice Black in his review of the case, "the 22 per cent claimed here is overshadowed in too many instances for it to be regarded as extraordinary." And in concluding the Justice marked out the boundaries for a controversy which was to find Congress split into at least three major groups over war profits policy in the ensuing months. He said:

To meet this recurrent evil [profiteering] Congress has at times taken various measures. It has authorised price-fixing. It has placed a fixed limit on profits, or has recaptured high profits through taxation. It has expressly reserved for the Government the right to cancel contracts after they have been made. Pursuant to Congressional authority the Government has requisitioned existing facilities or itself built and operated new ones to provide needed war materials. It may be that one, or some, or all of these measures should be utilised more comprehensively, or that still other measures must be devised.

Congress was shortly to be presented with evidence that profiteering had not passed into history with World War I. A Senate committee, checking the war contract performance of industry, brought to light in March a case which, though in no sense representative, invited nationwide attention to the fact that excess profits taxes alone are not a specific for the evil of profiteering. This was the almost fanciful story of a comparatively small mid-west concern engaged in the manufacture of self-starters for airplane motors. The company, testimony revealed, paid out bonuses in 1941 amounting to \$949,000, thereby, according to counsel for the investigating committee, reducing its Federal tax liability from \$906,000 to \$172,000. The secretary to the president, who had received an annual salary of \$4,448 before the war contracts began to roll in, was paid \$39,000 in 1941. The assistant controller, who had been a \$2,300 Government employee in the pre-war days, received a \$10,000 bonus before he had been with the company two months. Six hundred and fifty thousand dollars was distributed during the year among the employees in the plant, who worked day and night to the morale-sustaining strains of phonograph recordings (of which the company boasted a library of 10,000), and who received free lunches, free dental care, free medical care and hospitalisation in maternity cases, a monthly bonus of a \$50 war bond per person and at Christmas time a cash bonus, a turkey and an 18-jewel wrist-watch.

Stirred by this and other less spectacular examples of waste in connection with war contracts, Congress decided to implement its tax programme with more direct control over production costs and profits. In the House, a Bill was passed setting a statutory ceiling on such profits of 6 per cent of costs before taxes. For a time it appeared that the Senate would follow suit. The Appropriations Committee sent to that body a proposal for, not one, but a series of, ceilings ranging from 10 per cent in the case

of small contracts to as low as 2 per cent on the largest. But the Senate, not convinced when it came to the test, voted down the recommendations of its committee, electing, instead, to strengthen the provisions of the Second War Powers Act. The central feature of the new measure, which was attached to the Sixth Supplemental National Defence Appropriations Act of 1942 and became law in the last week of last April, was the mandatory inclusion in all war contracts of renegotiation clauses.

The Revision of Contracts

Renegotiation is carried out by Price Readjustment Boards of the War Department, the Navy Department and the Maritime Commission. It sometimes originates with the contractor, but ordinarily the Government takes the initiative: (1) the Government may wish to make a new contract; (2) increased volume of production may suggest the need for a revision of cost estimates; or (3) some question may have arisen as to the contractor's performance or prices.

The point which is constantly emphasised by the renegotiation authorities is that what they are primarily interested in is not, as many persons believe, the recapture of excessive past profits, but the achievement of minimum costs on future war goods production. The Act, it is true, operates retroactively, and in consequence renegotiation does frequently result in a contractor's having to return some of his past (excessive) profits; but this, it is stressed, is an incidental effect rather than a major purpose.

The renegotiation statute has been, and still is, the subject of a good deal of criticism. Not a little of it has arisen from uncertainties and omissions in the original Act, many of which have been cleared up in a group of liberalising amendments passed as part of the Revenue Act of October 22nd last. Among the more important of these amendments are the following: (1) renegotiation is now authorised on an over-all basis, rather than contract-by-contract, thus not only simplifying enforcement, but enabling the contractor to offset contracts on which he has taken a loss with contracts yielding him better than normal profits; (2) credits are specifically allowed to contractors for any excess profits taxes paid on excessive profits found under renegotiation; (3) the fear has been dispelled that contracts might be subjected to repeated renegotiation until three years after the war by establishing definite time limits for renegotiation; (4) the Secretary of any Department is authorised to make "final agreements" with contractors after renegotiation, providing that contracts may not be reopened, except on evidence of fraud, malfeasance or wilful misstatement of fact; and (5) certain contracts are specifically exempted from the requirements of renegotiation.

Some of the criticisms advanced must be accepted as having a certain amount of validity. It is charged, for example, that the statute permits the Government to revise its bargains at the expense of the contractor; that it provides no standard by which the fairness of profits may be determined; that it leaves the contractor uncertain about his profits and his financial position, and that it penalises the efficient producers. The more open-minded advocates of renegotiation admit that there is some substance in these complaints.

What are the unusual conditions which may be said to justify the granting of such sweeping discretionary control over war costs and profits? In wartime, materials of all kinds are required in unprecedented amounts and with a minimum of delay. Companies find themselves called upon to produce articles in the manufacture of which they have had no previous experience. Many of the articles are new, and the quantities required and the rate of delivery must frequently be revised in the light of experience and the demands of the war effort. Finally, shortages of material,

priorities and allocation interfere with its movement. Under such circumstances, original contract prices can represent at best little more than intelligent guesswork. The resulting profits often greatly exceed those originally contemplated. These profits are in no sense assumed by the Government to represent evidence of "profiteering" on the part of the contractor; on the contrary, they are regarded, to use the phrase of one official, merely as "an index of the uncertainty regarding ultimate costs that existed at the time the original contract was made."

Why cannot the same result be achieved through the excess profits tax or through a flat ceiling on profits? As to the first of these alternatives, the case of the company cited at the beginning of this article, which dissipated its earnings in bonuses and other extravagances, should supply all the answer that is required. When a large proportion of profits is taken by the EPT there is little incentive to keep costs down and hence to prevent inflation. As to a flat ceiling on profits, that is much too arbitrary. It is obvious that while 2 per cent might represent a satisfactory profit for a simple operation, such as stamping out blanks, 10 per cent might be far too small for a company engaged in a complex operation requiring a large investment in plant facility, labour and time.

The only practical remaining method is cost and price control. In normal times, competition, in theory at least, performs this function. But in wartime, when all production facilities must be utilised and when competition is automatically suspended, other means must be substituted. In the field of civilian goods and services control is exercised through the Office of Price Administration and the Economic Stabilisation Board; but it is clear that such control over the materials of war must present insurmountable problems.

Not even its friends contend that renegotiation is the perfect answer to the problem of controlling war production costs. They do contend, however, and with much force, that this technique must be compared, not with perfection, but with the alternatives that have been thus far put forward to attain the same objectives. Much, obviously, depends upon how renegotiation is carried out in practice. Because of the flexibility which it allows it is difficult to obtain uniformity of administration. Inevitably some contractors

are able to drive a better bargain than others. But this applies with equal validity to the original negotiation of contracts. In some instances this seeming favouritism is, moreover, a result of conscious policy; for the renegotiation boards are under general instructions to allow a larger rate of profit to efficient contractors who have reduced costs than to those that are less efficient. This, incidentally, is the answer of those in charge of renegotiation to accusations that it tends to penalise efficiency, and that it is nothing more nor less than a return to the discredited "cost-plus" system of the first world war.

American Notes

The New Isolationism

One obstacle to a concerted policy between Britain, America, Giraud and de Gaulle over North Africa is the existence of divergent points of view on each side of the Atlantic. The United States was not in the fight at the time of the French collapse, and Americans did not come to think of Vichy as a personal betrayal. Hence a much greater tenderness for "men of Vichy" and a greater readiness to distinguish between *attentistes* and traitors. President Roosevelt has stated his full support for the North African arrangements, including Peyrouton, as a matter of immediate military necessity and Mr Eden has confirmed Britain's concurrence, presumably on this temporary basis. But the problem is not solved because it can be shelved for the moment. It will remain a serious problem in North Africa itself; and the same question will arise, whatever point is chosen for the re-invasion of Europe. It is essential that the British and Americans should have both a joint and a progressive policy. It is a truism to say that the hopes of a post-war international order depend upon American participation in the working of that order. Such a break with isolationism depends, in its turn, upon the grouping of political forces inside the United States. The Democratic party, on the whole, supports active participation. If the Liberal wing of the Republican party—men of the Stassen or Willkie stamp—support an internationalist solution, there is hope of American participation. But the present trend of Liberal opinion is away from

FILING Cabinets placed one on top of another solved the problem of shortage of floor space at these offices of a leading National Newspaper.

The same craftsmanship which has made the name of Milners a household word where the safe keeping of valuables and records is concerned, is also embodied in Milners' Steel Equipment.

Let Milners assist you in your post-war planning.



The Safe aid to efficiency

MILNERS SAFE CO. LTD., 21, HAMPSTEAD LANE, LONDON, N.6. Telephone: MOUntview 6655

Europe—an ugly and distracting area—and, to some extent, away from “imperialist Britain.” Russia and China hold pride of place as partners in world order. It is the Liberals who are attacking the North African arrangements now. The paradox is that their indignation is meat for the isolationists. The *Washington Star* went on record that:

The spite of European political intrigues which we have had since we entered North Africa has been enough to cure some of the inveterate interventionists in European affairs. Our Army and diplomatic officers, who enjoyed the full confidence of the people of this country and of their Commander-in-Chief, have been criticised. If the Russians feel that they could bring peace to a continent that has been at war for centuries so much the better for all concerned.

Recent developments have shown that we can deal with Russians in a friendly manner even more successfully than we can with others of our close friends and associates. One thing appears certain: we shall have no major disputes with Moscow over economic zones of influence or the air routes of the world.

If the isolationists can catch the Liberals by preaching the virtues of Russia, the infamies of Britain and the moral turpitude of Europe, the hopes of securing co-operation from America are slight. It is all the more urgent that the line taken in Europe by Britain and America should be mutually agreed and morally uncompromised.

Pinpricks

The withdrawal of the nomination of Mr Flynn as Minister to Australia is the first of a series of small defeats for the President which appear to be inevitable during the coming session. It appears to have been the opposition of some of the Southern Democratic Senators which forced the issue. Faced by their hostility, Mr Flynn asked the President for permission to withdraw his name, and the President consented. It is only rarely that a diplomatic nomination is refused confirmation by the Senate, and when it is remembered that Mr Flynn was until lately the Chairman of the National Democratic Committee, the breach of party discipline appears complete. This is the first time in the new Congress that the often-propheesied coalition between the Republicans and the Southern Democrats has become evident. It would be a mistake to read too deep a meaning into this rebuff. Although the nomination was never so bad as the President's critics made out, it was, nevertheless, a bad slip of political judgment at a delicate moment. The conservative wing of the Democrats will probably continue to coalesce with the Republicans on a number of domestic issues although on the major purposes of winning the war it is not likely to desert the President. On the cards are Congress inquiries into the Federal Communications Commission, war contracts, and Government payrolls. Already Congress is demanding a repeal of the \$25,000 a year salary limit imposed by executive fiat last year. Where the connection between Administration policy and the winning of the war is direct and unmistakable, neither the Southern Democrats nor the Republicans are likely to waver. Mr Flynn's defeat is no great loss, but it is a reminder of Congress' determination to be independent, and of the wisdom of conserving the President's energies and prestige for the larger issues of domestic policy on which the vigorous prosecution of the war depends.

Britain's Lend-Lease

The explosive charge that was to blow Lend-Lease sky high is turning out a damp squib and even a boomerang. What the investigation of the Senate Committee has accomplished is to give the Administration a platform from which to tell the story of Britain's contribution to the common pool. Major Spugelberg, recorder of the Army's purchasing board in the European theatre, has testified that since last June only \$1,000,000 has been spent

on purchases from British commercial sources; the major part of American requirements come from Britain as reciprocal aid; one example he cited was of the RAF stripping itself of radio equipment of a certain kind in order to turn it over to the Americans. The details of British assistance must make it plain that, in its absence, the American offensive in Africa, and air operations from the British Isles would have been greatly delayed and hampered. The Ministry of Food has arranged for American rations in this country. The Ministry of War Transport has provided shipping and met repair and harbour charges. The Service and Supply Ministries have provided materials, personnel, and the fruits of experience, in substantial quantities and almost infinite variety. The Admiralty, for example, provides fuel and maintenance and repair facilities for American ships, but of even greater value has been the sharing of information and technical knowledge on such matters as anti-submarine warfare and the development of weapons. Designs and specifications of all kinds are freely shared. Living accommodation, hospitalisation and transport have been made available, as well as anti-aircraft equipment, including radio-location; aircraft, including a number of Spitfires; anti-tank equipment; and a multitude of stores. The provision of camps alone runs to many millions of pounds. Experienced RAF officers continue to be sent to the US to act as instructors; 4,514 balloons have been shipped to provide barrages for exposed American cities. The Ministry of Supply early in 1942 shipped 12 complete shell-producing plants taken out of British munitions works. From all accounts, the vindication of Lend-Lease has been complete. Even Senator Butler, who “dreaded to think what was going on behind the scenes” of Lend-Lease, has been mollified. The sorest point, though relatively of minor consequence except to those unable to buy butter, or margarine, or meat, has been the shipment of food to Britain and Russia. On this Mr Wickard has had some enlightening things to say. Shipments of butter to Russia have been less than 1 per cent of the total supply. Of the food sent to Britain, nearly one-tenth went direct to armed forces outside the British Isles; and of the remainder, quite a lot was destined for the Services in Britain. His point that in December Lend-Lease shipments to Russia were for the first time larger than shipments to all British and colonial destinations should help to dispel the prevalent belief that Britain is the chief beneficiary under Lend-Lease.

Stabilisation Endangered?

There are signs that the wage and price controls are again in danger. Increasing dissatisfaction with the wage policy laid down in the “little steel” formula is being expressed by the leaders of the CIO and by John L. Lewis; and even the AFL has confessed it would not object to the end of the formula. Justification is to be found in the cost of living which is continuing to rise gradually. Already 21 per cent above January, 1941, the cost of living registered an increase of half of 1 per cent in the week ended December 26th, the largest increase in any week since price stabilisation came into effect last May. Advances in food prices, particularly meat, were responsible. And if the farm bloc can manage it, this is only a foretaste of what is to come. Undeterred by their defeat last autumn, the lobbyists have descended upon Washington again, hopeful that the new Congress will prove more amenable. Their programme is to revise the calculation of parity upward; to kill off the New Deal farm agencies designed to aid the smaller farmers; and to gain recognition for agriculture as a war industry, for as the head of the Farm Bureau is reported to have said: “By God, if this is a war industry, you've got to give us a price.” The fight between labour and agriculture for a larger share of the diminishing civilian cake, the recurring theme of the domestic front, is exacerbated by the rivalry between the union leaders. It looks as though another strong lead from the President would become necessary. Unfortunately it is far from certain that this Congress will accept it.

Shorter Note

The seventh monthly report of the War Production Board shows that in December output of munitions was 14 per cent above November and was the greatest on record. Aircraft production increased 20 per cent, and 5,489 planes were delivered to the Services and the Allies. The Maritime Commission delivered 108 merchant ships totalling 1,167,000 deadweight tons. Tank output has reached its peak, with a decline scheduled for 1943.

THE WORLD OVERSEAS

North Africa's Food

(By a Correspondent)

THE food position in North Africa appears in the light of recent reports to be rather tense. Old shortages have remained and grown more acute, and new ones have appeared. A glance at the French papers published in North Africa is enough to show that black markets have spread extensively; the papers publish lists of penalties imposed upon speculators in food and other goods. And the food bottle-necks are the subject of the few speeches by local businessmen and administrators which appear in the strongly censored press.

There have apparently been various types of shortages. Some of them are of a permanent character; others can be explained by the economic drain to which North Africa had been subjected before the Allied landings, and still others have been artificially created by abuses and speculation. The shortages of sugar, tea, coffee, textiles, shoes, soap, agricultural machinery and fuel (petrol and coal) belong to the first category. All these goods used to be imported to Algeria and Morocco from France. At the time of the Allied landings, most of the consignments for 1942 were not yet delivered to North Africa. This can be seen from the official announcement of the Vichy Ministry of Food, which has stated that the supplies of sugar, textiles and coal available to French consumers will now be greater than before owing to the non-delivery of those goods to North Africa. The same is true of soap, which used to be imported from Marseilles. A part of the soap consumed in Algeria and Morocco used to be supplied by Tunisian factories, but contact with the latter has now been cut off.

Shipments to France

The reported shortage of bread is due to entirely different reasons. In cereals (as well as in livestock), Algeria and Morocco are surplus countries. Wheat used to be the second biggest item, next to phosphates, in Moroccan exports. Algerian grain exports amounted to nearly one million quintals in 1938, and they rose to about 1,800,000 quintals in 1941. The export surpluses used to vary from year to year, according to the weather and the harvests. The harvest in 1942 was rather poor. There was a prolonged drought which reduced the year's crops. Even so, North Africa might have secured a reasonable degree of self-sufficiency in cereals had it not been for the exceptionally heavy shipments to France during 1942. Exports of wheat exceeded the quota fixed by Vichy; it had been agreed that Vichy would avail itself of this surplus in order to tide over the *soudure*—the difficult gap between two crops—after which North Africa would receive in return a considerable amount of wheat from the French crops. This, however, did not materialise. That this is the real reason for the present bread shortage in North Africa has been confirmed by various sources. In Vichy, M. Bonnafous stated that France had received great quantities of North African grain which helped the country to meet the demand during the *soudure*, and in Algiers the same point was stressed by M. Pauze, the head of the General Delegation for Economy in the High Commissariat.

Similarly, large shipments of oats, barley and maize went to France, although the deliveries of these cereals did not come up to Vichy's expectations. The same is partly true of vegetables. In November, 1942, Vichy complained that it had not received about 290,000 quintals of dried vegetables and vegetable seeds expected from North Africa, but this was only a small part of the quota which had already been shipped to France before the Allied landings. The following items of the annual quotas were not delivered to France by the beginning of November last:—250,000 quintals of dates, 100,000 quintals of dried figs, 37,000 quintals of almonds and 35,000 tons of salted and dried fish.

Similarly, only 700,000 out of a total quota of 5.5 million hectolitres of Algerian wines were shipped to France. These figures, however, were exceptions to the rule. In all the more essential foodstuffs, Algeria and Morocco were very severely drained. The immediate effect of the cutting off of North Africa on the food position in France itself appears therefore to be slighter than it might be inferred from abstract statistical computations, and certainly slighter than anti-Allied propaganda would make the French public believe. What matters in the short run is not the statistical summary of North Africa's normal production or of its capacity to export, but the fact that the bulk of the year's agricultural produce was already exported before November, 1942. The shortages of basic foodstuffs have, unlike those in textiles, sugar and fuel, not been due to the economic structure of the countries concerned. They have been of a more temporary character. They are the legacy of the Vichy period. Yet they are bound to last for a number of months, at least up to the new harvests, unless substantial Allied imports relieve the strain in the meantime.

Mismanagement and Abuses

The position has been further aggravated by obvious mismanagement and plain abuses. The rationing system has been strained and compromised by the privileges

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1942

LIABILITIES

Capital paid up	£29,479,416
Reserve Fund	8,500,000
Current, Deposit and other Accounts	474,251,716
Liabilities for Acceptances, Endorsements, Engagements, etc.	10,531,713
	£502,762,845

ASSETS

Coin, Bank Notes and Balances with the Bank of England	£51,175,609
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit	24,433,690
Money at Call and Short Notice	16,542,000
Bills Discounted	30,303,154
Treasury Deposit Receipts	111,000,000
Investments	147,043,360
Advances to Customers and other Accounts	104,762,071
Bank Premises	6,971,248
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	10,531,713
	£502,762,845

Head Office: 15, Bishopsgate, London, E.C.2

COUTTS & CO. *Affiliated Banks*
GRINDLAY & CO. LTD.

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 March 15, 1943, to shareholders of record at the close of business, February 20, 1943.

By Order of the Board,
Toronto, J. R. BRADFELD, Secretary.
January 29, 1943.

accorded to the supporters of Vichy. Members of the *Légion des Combattants* and of the *SOL* still receive special "bons," which entitle them to buy abnormally high rations of all kinds of foodstuffs. Apart from its political taste, such a malpractice is bound to disrupt rationing and to turn into ridicule all the official exhortations against hoarding and speculation.

The food position has probably also been affected by the financial factor. The new exchange rate of the franc has given rise to some criticism which has been voiced by the French General Delegate for Economy, M. Pauze. It seems doubtful whether the exchange rate itself ought to be blamed, as the difference between the rate of £1:175 fr. in 1940 and the first new rate of £1:300 fr. is certainly smaller than the decline in the franc's purchasing power that has taken place in the meantime. And this week's cut to £1:200 fr. (discussed on page 185) leaves the franc overvalued rather than undervalued. But the fact remains that currency is expanding, while the amount of goods available is shrinking. The new budget of the High Commissariat will not ease the position. Expenditure in 1943 for French Africa (excluding the areas under General de Gaulle) has been put at 8.5 milliard francs, of which 7.3 milliards will be spent for war purposes. True, there ought to be quite a sufficient "cover" for the North African franc (some gold reserves as well as French assets frozen in Allied countries). But under war conditions it is not the "cover" but a sound system of controls which prevents inflationary developments.

Political Uncertainty

The general background of these inflationary symptoms as well as of the hoarding and speculation is, of course, the feeling of political uncertainty. The vicissitudes of the *affaire Darlan* were hardly conducive to reassuring the local population about the stability of the new set-up. And some tension is bound to prevail as long as the Tunisian campaign is not brought to a successful conclusion. Meanwhile, the crisis can be partly mitigated by Allied supplies. A beginning has already been made with the shipment of some tens of thousands of tons of food to North Africa and with the distribution of some petrol between local farmers. But the scope of Allied relief is necessarily limited by the amount of shipping space free for non-military cargoes. Stricter rationing measures and a more energetic struggle against abuses and black markets are probably necessary, at least until conditions allow a more generous flow of Allied supplies. A step in this direction was made by the census of all grain stocks taken during the last weeks of 1942.

Eire's Financial Position

[FROM OUR DUBLIN CORRESPONDENT]

January 14th

THE first nine months of the current financial year have yielded satisfactory results when allowance is made for the profound shock administered by the war to the Irish economic system. Although the country has succeeded in remaining neutral, considerable expense on military and civil defence became inevitable. On the other hand, some sources of revenue—for example, customs duties—necessarily declined. Although a substantial deficit is disclosed, the figures of revenue and expenditure show an improvement on last year's returns:—

	April-Dec., 1941	April-Dec., 1942
Revenue.....	23,424,230	25,231,449
Expenditure.....	28,492,665	29,399,597
Deficit.....	5,068,435	4,168,148

The following table shows the changes that took place in the leading categories of revenue. The third column shows the estimated revenue under each head for the whole of the current year:—

	April-Dec., 1941	April-Dec., 1942	Estimate for year 1942-3
Customs.....	£000	£000	£000
Excise.....	8,647	8,428	10,265
Motor vehicle duties.....	5,432	5,670	7,360
Death Duties.....	493	308	600
Stamps.....	942	952	1,330
Income Tax and Surtax..	397	376	463
Corporation Profits Tax..	3,498	4,409	9,226
	322	1,127	2,570

Practically every type of tax yielded an increased return. The exceptions in the case of customs and motor duties reflect the reduction of imports and the restriction on private motoring. It appears as if the estimate for the whole year will be safely realised. Income tax and motor duties are mostly collected in the last quarter of the financial year. The balance in the Exchequer was reduced from £2,394,375 on April 1st to £203,767 on December 31st. The remainder of the deficit was financed by ways and means advances of £1,700,000 and other borrowing of £500,000. Savings certificates were issued to the amount of £325,000 in excess of those paid off. Assuming that the revenue exhibits the buoyancy expected in the present quarter, outstanding ways and means advances should be repaid and the year should end without any further addition to the floating debt.

It is plain, however, that new borrowing will be necessary in the coming year. There is no reason to hope for any reduction in expenditure until the war situation is much clearer. Revenue has probably approached, if it has not already exceeded, the limit of its capacity to expand. It is generally agreed that any increase in the rates of direct taxation would produce disappointing results, and increases in indirect taxation are hardly feasible. The question that will confront the Minister, in framing his Budget for next year, will, therefore, be, not whether borrowing is necessary, but how much will need to be borrowed and at what rate. Judged by the yield on existing Government securities, the credit of the country is very sound. The yield per cent on the outstanding issues of Irish Government loans is, when allowance is made for redemption, almost identical with that obtainable on British stocks of similar maturity. For example, the yield on the 4½ per cent Third National Loan (1950-70) is £2 7s. 9d. per cent. It is not too much to expect that a fairly long loan could be successfully floated at slightly under 3 per cent. There is much to be said in favour of borrowing a considerable sum while the conditions are as favourable as at present. Large idle bank balances have accumulated, and alternative outlets for the investment of current savings are few and scanty. When the emergency ends there will be a demand for capital in many directions, and the market will, almost certainly, move against borrowers. The Government is preparing large plans of capital expenditure for the post-war period and might be well advised to complete its borrowing while conditions remain favourable.

The question is sometimes asked whether the Irish Government should not be able to borrow at a rate substantially lower than that suggested. Attention is called to the terms on which the British Government is borrowing part of its war expenditure in the short loan market. What is not fully realised is that such borrowing depends upon the Government's possessing complete control of the capital market, and that, even in these conditions, the problem of funding this short-term debt will have to be faced sooner or later. In estimating the lowest rate at which the Irish Government could hope to obtain accommodation, attention must be paid to the alternative openings available to Irish investors. So long as it is possible to obtain anything in the neighbourhood of 3 per cent on British gilt-edged securities of reasonably long maturity, any lower rate would not appear to be feasible for Irish Government loans. The suggestion that the banks could provide large amounts at rates approximating to the rates charged on short loans in Great Britain to-day ignores the fact that there is no money market in Dublin. Moreover, the great majority of the deposits in the Irish banks are savings deposits on which interest has to be paid. If the banks are to carry on at a profit, it is necessary that their assets should yield a return bearing some reasonable relation to their liabilities.

Germany's Health

[BY A CORRESPONDENT]

THE statistical black-out makes it impossible to give a clear picture of health conditions in German Europe; but it becomes clear from the scanty reports available that disease is taking a heavy toll, particularly of the civilian population of the eastern territories. In Warsaw hospitals alone, according to one report, 50 persons die every day from typhus; and infantile mortality has grown sevenfold in certain districts of Finland. The fight against malaria in the Balkans is endangered by a grave shortage of quinine. Numerous cases of scurvy occur all over Europe.

Germany itself is probably in a better position than most of the subjugated countries, as far as the health of its population is concerned; no great increase in infantile

mortality has taken place, according to official statements, and the police authorities claim to have prevented a widespread typhus epidemic within the Reich proper. But even in Germany, where the statistical records are less inadequate than in the occupied countries, the people's health has been affected by war conditions. For instance, the combined figure for diphtheria and scarlet fever cases within the territory of the Old Reich increased by 68 per cent between 1938 and 1941, and again by 64 per cent between the first half of 1941 and the first half of 1942. The number of new tuberculosis cases increased by 27 per cent between 1939 and 1941, and by another 8 per cent between the first half of 1941 and the first half of 1942. The number of dysentery cases doubled in the first two years of the war. Moreover, the medical authorities admit that a "slight increase" has taken place in the number of cases of venereal disease, and that dental conditions have greatly deteriorated. The *Klinische Wochenschrift* recently wrote that the army of sufferers from stomach trouble has increased during the war, owing to overwork, anxiety, irregular ways of living, and to the unhealthy diet.

The Nazis claim that the number of sufferers from some of these illnesses is still considerably smaller than during the first Great War. But this may be said to be due to the spectacular improvement in health conditions during the period of the Weimar Republic. The advent of Nazism in 1933, with its subsequent turmoil in the general living conditions of the people, completely reversed this trend, and a rapid deterioration of health conditions had taken place long before the outbreak of war. Consequently, the number of cases of scarlet fever, diphtheria, and various other illnesses in 1938 was again larger than in 1913, although this was not true, for instance, of tuberculosis. Neurosis, which has been on the increase ever since the last war, has now apparently reached a new peak.

A more general indication of health conditions in Germany is provided by the frequent queues in front of chemists' shops; according to Goebbels' paper, *Das Reich*, there has been an increase of nearly 150 per cent in the turnover of chemists' shops, owing mainly to the increasing demand for medical preparations, particularly anodynes and sleeping drugs. The paper asserts that these turnovers would be still larger if all the customers could get what they ask for; the case of one typical Berlin chemist's shop is featured where only one-third of the customers can be served.

An unscrupulous, and completely hypocritical, propaganda campaign is being waged against what is called the drug mania. The Reich Health Leader, Dr Conti, for instance, has pointed out in a speech in Finland that he believes in "natural cures," that is, fresh air and healthy food, rather than in strong medicines. The same Dr Conti has just issued an order, according to which special food should from now on be prescribed to patients only in very exceptional circumstances. It is, for instance, considered as "senseless" to provide extra food to persons suffering from malignant tumours; and patients who smoke while they are ill should on no condition receive extra food.

It was already a special feature of German health insurance statistics between 1933 and 1938 that an increase in the number of deaths and visits to the doctor was not accompanied by any appreciable change in the number of working days lost through illnesses. At present, workers are exhorted not to stay away from work except in unavoidable circumstances. About 60 per cent of all sufferers from pulmonary tuberculosis and 80 to 90 per cent of those suffering from arrested tuberculosis are gainfully occupied. The German *Tuberkuloseblatt* admits that "this valuable source of labour must not be wasted," but the paper disapproves of the fact that many patients are employed "under very unsuitable conditions."

Among other reasons for the deterioration of health conditions is the growing shortage of the medical personnel, which is due partly to the pre-war policy of the Nazis, but mainly to special war conditions. Less than one doctor is, on the average, available for every 10,000 of the civilian population, and there is also a great shortage of trained nurses. Hardly less damaging is, in the long run, the moral decline of the German medical profession—or, at least, of its official representatives. The key positions of the German health organisations have been taken over by doctors belonging to the SS, to whom the achievement of a "high biological standard" is their foremost professional duty: they are resolved, in fact, only to save "valuable" lives. Former Communists and other "anti-social" persons, who are suffering from tuberculosis, are detained in special wards but do not receive any treatment; their recovery is not considered to be in the national interest.

HEALTH AND FOOD RATIONS

WHICH FOODS

GIVE US

ENERGY?

Everybody knows that the man who does hard manual work and the child who is never still for a moment need more energy-producing foods than the man who sits all day in an office. Yet even the sedentary worker needs a diet of which half at least consists of carbohydrates, the energy-givers.

Obviously, then, the carbohydrates are important, especially for children. Fortunately they are cheap and so varied that any shortage in one group can be made up by substituting others in good supply.

Starch and sugars are the main carbohydrates. Starch is the chief constituent of flours and cereals. Potatoes, and the pulses such as peas and beans, are also rich in starch. Sugars are, of course, a problem to-day and it is best to save the syrup, honey, jam or chocolate for the children.

Fats are the other energy-makers. They give a reserve of energy while carbohydrates give quick energy. Fats are provided by lard, suet, dripping, butter, margarine and fat meat. Don't overlook the herring either; whether you eat him as bloater, kipper, or fresh herring, he's fine food for energy.

This is one of a series of announcements issued in support of the Government's food policy by the makers of

CROOKES'

HALIBUT LIVER OIL



Germany at War

Replacing Losses

THE German press is unanimous in declaring that the new phase of war economy introduced by Speer in the spring of last year created an entirely new situation marked, for the first time, by total planning and complete concentration of industries for war production. This is not the first time that the Germans have announced that at last a total war economy has been organised, a fact which betrays some confusion about the meaning of total war. At the beginning of the war, the plan was to introduce complete rationing immediately, to close down civilian industries to an absolute minimum, and to concentrate industrial resources for war production. The full plan was not carried out. Until the autumn of 1941, Germany's economy was a mixture of planning and pre-war restriction. Before and after the outbreak of war, arms production grew in part because of continued territorial expansion.

During 1942, under the strain of the war in Russia, Speer (industry), Sauckel (labour), and Backe (agriculture) set out to apply the full plan. Its main feature was the ruthless closing-down of factories in all sectors of the economy in order to concentrate resources for war production in the most efficient plants. The war production programme was supplemented by a single production programme for civilian commodities; the independence of separate factories and concerns was practically abolished; patents, production methods and secret processes had to be exchanged between factories on the orders of Speer's controlling engineers.

The keynote was concentration, and the process is still not completed. Speer's ideal is the one-purpose factory—that is, the concentration of the manufacture of a single article, formerly produced in a number of factories owned by different concerns, into a single factory. The obstacles to this largely come from the relics of the former "free" market conditions. Compulsory standardisation and rationalisation were the methods used to achieve the greatest possible concentration.

All these changes were forced upon the German war economy by the growing demand of the *Wehrmacht* for man-power. During 1942, however, it was still possible to import workers from occupied countries; official sources stated that the total number of foreign civilians employed in Germany rose from 2,138,000 in February, 1942, to 3,500,000 on October 1, 1942. In the last quarter of 1942, the import of civilian workers continued at the same rate.

Even so, for this year's sowing in the spring an additional 500,000 workers have been called for, because of the calling-up of more men for the army. If Germany's military losses are to be replaced in order to bring the effective strength of the *Wehrmacht* in the spring and summer of this year up to anything like the level of 1942, many hundreds of thousands of men will have to leave industry and agriculture. The occupied countries can hardly yield any more labour. The area for recruiting slave labour in Russia is being steadily narrowed. The satellite countries, Italy, Hungary and Roumania, cannot at the same time supply man-power for their depleted armies as well as for German industry.

The last resort must therefore be to Germany's own people. The new law compelling every man from 16 to 65, and every woman from 17 to 45, to "contribute by work and exertion to the war" is mainly a political gesture. Compulsory labour was actually decreed as long ago as June, 1938. The new law extends compulsion to more age groups; and its intention is not so much to bring in fresh workers as to compel the transfer of men and women of all age groups from their present occupation to work at other jobs in other places. According to the census of 1939, the total number of men and women covered by the new law amounted in Greater Germany (not including the incorporated provinces of Poland) to

43,716,000, of whom 32,435,000 were gainfully occupied. In theory, 11,281,000 men and women were available at the beginning of the war who could be brought into employment, i.e., 2,944,000 men and 8,337,000 women. Of the women, 7,177,000 were married. Among this reserve, there are a great number of persons unfit for work; and, since the outbreak of war, the great bulk of the available women have already been recruited for war work.

Concentration in the full sense is being applied now to labour. The question is whether the required transfers are practically possible. The rationalisation of working processes has been carried very far, and the attempt to organise single-purpose factories makes it possible to replace called-up workers without great difficulty where no special skill is required. The majority of armament works have great experience in training new workers in a very short time. The fact that an additional 500,000 workers are needed for agriculture suggests that the *Wehrmacht* has lately been recruiting mainly agricultural workers and peasants. This implies that skilled workers in industry are still reserved, and that, in the first place, women will be directed to work in agriculture. But an equally large number of workers will be needed to replace called-up industrial workers. Where are these to come from? Retail shops and the small businesses of independent artisans have been combed out repeatedly since 1938. The fresh concentration which began in the spring of 1942 has combed through civilian industries without very great results. The workers set free in the cigarette and tobacco, textile, clothing and shoe industries can be numbered in tens of thousands only. The railways, civil service, hospitals, kindergartens and similar establishments have all needed more labour because of the war. Retail business, however, has been steadily declining, and the small shops may still, in spite of the earlier combing-out, be the greatest single source of additional labour.

Retail shops will probably be closed down in great numbers. In short, the distributive and catering sector of the economy is the most likely source for fresh labour. Mass feeding in communal kitchens on a much bigger scale than hitherto will be unavoidable. Success depends on the degree of mobility the German war economy has achieved. There is no doubt that mobility and the organisation of "shock-work" has been the outstanding feature of Germany's economic organisation ever since rearmament began before the war, and it is possible that, by these means, direct war production may be maintained during the winter—careful preparations were made during the autumn to assemble the necessary raw material and fuel.

1918—1943

The present situation is not directly comparable with 1918. But Germany is in a position similar to 1918. The index of production remained almost unchanged in 1917 and 1918; probably it has again been stationary since the end of 1941. The rate of losses in men and material is probably about the same as in 1917-18, and there is every reason to believe that individual output per worker is steadily declining. In October, 1918, output per man-shift in the coal mines in the Ruhr area had fallen by 28 per cent compared with 1913. The decline may be smaller this time so far. Yet even the German papers cannot hide the fact that individual efficiency has been falling off for a long time now. At the end of 1917, actual production still showed a tendency to rise. But now, as then, the reserves of man-power for the *Wehrmacht* are growing perilously small if war output is to be maintained. For every 100 men conscripted in 1916, only 46 were conscripted in 1917 and 28 in 1918. Germany is even worse off in this war. The total number of men born in the years between 1921 and 1925 is smaller with each year. The 1925 class is only 87 per cent of the 1920 class. It can thus be said, almost with certainty, that the losses which the German army has suffered in the summer of 1942 and during this winter's battles cannot be replaced. The 1925 class, which is already in military training and will be available for service at the front in the spring, is totally insufficient; and the withdrawal of equivalent numbers of men from war industries will make it impossible to maintain war production at the present level. This dilemma cannot be solved by organisation or by the pretence of a transition, at last, to really total war. Germany's industrial and military power is on the decline, and no political or economic decree can restore the *Wehrmacht* to the strength necessary for defence against continued offensives.

THE BUSINESS WORLD

Gas Shares

THE buying of industrial ordinary shares for "recovery" (which is basically part of the general movement into equities which seems characteristic of the later years of every war in every country) has now passed into its third—and last—stage. After the fall of France in June, 1940, everything was "cheap," and investors had only to shut their eyes and thrust a pin anywhere in the Stock Exchange List. During the second phase, greater selectivity was necessary; but it was still possible for purchasers to choose stocks whose post-war position seemed well assured and which, meanwhile, were making sufficient profits in wartime to earn their keep handsomely. For companies whose shares came into this category, EPT, paradoxically, provided a species of profits cushion, since a deficiency in standard earnings in any year could be re-couped out of taxation paid in earlier years. But the time when investors could have their bread buttered, as it were, on both sides, has now passed. The only "recovery" stock left on the market's shelves consists for the most part of shares in industries where "recovery" has its literal meaning of future revival from present malaise. Buyers of such securities must accept the conditions which normally fall to the lot of the speculative long-term investor, and take a moderate income return now—or none at all—in anticipation of benefits, by way of increased income and capital, to come.

Gas shares are, perhaps, the most typical of all examples in this group. The obvious vulnerability of gas-making plants to air attack is largely responsible for the official precaution which has resulted in non-publication of annual accounts. Stockholders, consequently, must draw what conclusions they can from a comparison of current dividends with those paid before the war. In this respect, experience has been very mixed, as the following table shows:—

ORDINARY DIVIDENDS

Company (Calendar Years)	1938	1939	1940	1941
Gas Light and Coke	5%	5%	3.95%	4%
S. Metropolitan	5½	5½	4	4
Commercial	5	4	1½	—
S. Suburban	6	6	3½	5
Wandsworth	7	6½	3½	4 (a)
Liverpool	6	6	6	6 (b)
Newcastle	5½	5½	5½	5½ (c)
Sheffield	6½	6½	6½	6½

(a) For 1942, 5 per cent.

(b) Interim for 1942 reduced from 3 per cent. to 2½ per cent.

(c) For 1942, 6.9 per cent.

Broadly, the provincial gas companies have maintained their pre-war rates of dividend fairly well, even in cities which have had their share of enemy bombing. In London, experience has been less favourable. Although the Wandsworth company is paying a higher dividend for 1942 than 1941, the largest of the Metropolitan concerns—Gas Light and Coke, South Metropolitan and the related Commercial company—have paid no dividends on their ordinary and (non-cumulative) preference stocks later than 1940. So far, therefore, as investors are interested in "recovery" in its strict sense, the London companies offer the most fruitful field of investigation. So far as the industry's post-war prospects generally are the relevant factor, special interest attaches to the provincial companies' stocks.

Although market prices of leading gas company stocks have risen like everything else on the Stock Exchange recently, they are still appreciably below the pre-war level, and yields, even on stocks which have maintained dividends throughout the war, are higher. This is clearly brought out by the table given in the opposite column. The average yield on the dividend-paying stocks in this table is above rather than below 5 per cent, against a current figure for industrial equities as a whole (according to the

Actuaries' index) of 4.29 per cent. Before the war, the differential was the other way; for at the end of 1938 this index computed the yield on representative gas shares at 5.27 per cent, and on industrials generally at 6.13 per cent.

The industry's wartime handicaps have been due less to enemy projectiles (with a few exceptions) than to the changed distribution of population and industrial demand,

STOCK PRICES AND YIELDS

Company	1936-39		1940-42		Present Price	Yield at Present Price
	Highest	Lowest	Highest	Lowest		
Gas Light and Coke—Ord. £1	28/7½	13/6	18/3	9/6	17/6	[Nil]
4% Cons. Pref. Stk.	110½	69	81½	49	86	[Nil]
S. Metrop.—Ord. Stk.	136	53	77½	29	75½	[Nil]
6% Pref. Stk.	152	85	92	65	94	[Nil]
Commercial—Ord. Stk.	105	48	60½	25	65	[Nil]
S. Suburban—Ord. Stk.	136	65	87½	54	91	3.29
Wandsworth—Cons. Stk.	164	85	88	55	104	4.81
Liverpool—Ord. Stk.	138	95	110½	89	104	5.77
Newcastle—Ord. £1	28/6	18/-	20/4	14/6	21/-	6.57
Sheffield—Cons. Stk.	149	115	130	107½	130	5.00

to rising costs and labour shortages. The physical difficulties have tended rather to ease as the war has progressed; but operational conditions have been, if anything, intensified. Coal supplies have fallen off in quantity and quality, and though a reduction in the calorific values of gas made has helped to conserve coal supplies, it has not fully compensated for troubles due to the use of types of coal for which existing plants were never intended. Women have replaced some men, but there are limits to labour dilution and substitution. Some of the industry's spokesmen

LEGAL & GENERAL

WHOLE LIFE AND ENDOWMENT POLICIES

both participating and non-participating

INCLUDE WAR RISKS

WITHIN THE

UNITED KINGDOM

so long as the life assured remains a civilian.

Part-time duty in the Civil Defence Services and the Home Guard as at present constituted is included in the cover.

The Society is prepared also to consider War Risks both at home and abroad in respect of non-civilian lives, each proposal being considered on its merits.

Life Assurance is more necessary to-day than ever before—ask for full particulars now

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Chief Administration: ALDWYCH HOUSE, ALDWYCH, LONDON, W.C.2

Branches in all principal Towns
Established 1836 Assets exceed £57,000,000
General Manager: Vernon E. Boys

COULD YOU ADDRESS

a public meeting to-night without notes?

RAPIDISM will develop for you
(1) mental alertness. (2) personal courage.

Write now for free Booklet to:
THE RAPIDISM INSTITUTE
364, TUTION HOUSE, London, S.W.19.

have complained that authorised increases in gas prices have barely offset higher operating costs. The governor and managing director of Gas Light and Coke has gone so far as to say that, in London, the industry is subsidising the cost of living—though how far that is true of the rest of the country is a moot point. On the whole, it is probably true to say that the net position of the industry has not worsened during the last year, and that in some areas, including London, it has slightly improved. The present trend of dividends is, on the whole, upward.

With the return of peace, many of the gas industry's wartime difficulties will be removed—but perhaps not wholly and certainly not immediately. Over a period, costs, presumably, will tend to fall, and labour will be released to the industry. The extent and distribution of the peacetime demand for gas, however, is bound to be a function of two factors which are difficult to estimate at the moment. The first is the extent to which Government policy will determine the location, character and activity of British industry as a whole. "Planning," if it is widely applied, may have a good deal to say on such questions as whether the old trades should go back to the old places; what should be done with the new factories which have sprung up on unexpected sites during the war; whether industry should have a permanently wider spread, geographically; and how far policies like the maintenance of full employment will demand differentiation in the encouragement given to various industries, in the conditions of this country's post-war environment.

The second vital, but unpredictable, factor will be the relations of gas with its competitor, the electricity industry. Up to the war, the gas industry had given on the whole a good account of itself in the struggle with its vigorous and rapidly growing competitor. On a long view of the future, the scales may appear to be somewhat weighted against the older industry; but there are factors on the other side which investors should not underestimate. For one thing, if the Ministry of Fuel and Power is continued as a permanent peacetime department, it is unlikely that it will

be prepared to allow competition to go to extreme lengths, between two forms of power production which can both claim to be making efficient use of indigenous natural resources. At the moment, competition is limited by gentlemen's agreement; but, in the national interest, any "regulation" after the war must come from a higher source than the industries themselves. Under any conditions, however, the gas industry has a considerable field for increased economies and higher earnings in the reorganisation of its operations on a wider regional basis. Before the war, four-fifths of the total undertakings in England and Wales supplied only one-eighth of the total gas made. And on the production and selling side, gas-making is linked, through its "residuals," to some of the newest and most progressive trades in the country—chemicals (industrial and pharmaceutical), dye-stuffs and—not least important—plastics. Before the war, receipts from this side of the industry were considerable; in the last complete pre-war year, Gas Light drew 21 per cent of its total gross revenue, and South Metropolitan 20 per cent, from the sale of residuals and by-products.

Clearly, conditions outside the industry's own control will determine whether this side of its activity is destined to have greatly increased—perhaps decisive—importance over the next twenty to fifty years. Much may then turn on the industry's adaptability, and the brains and financial resources which it is able to attract, as an industry at once "old" and "new." That, however, is looking some way ahead. Balancing the more immediate pros and cons, it would seem that, while the ordinary stocks of gas companies which are paying regular dividends may still have a limited distance to go, in order to catch up with equities in general, in a market which is still rising, the dividendless London stocks have the larger "recovery" element. But they are unlikely to regain all their former status until post-war conditions have become sufficiently "normal," and the medium-term outlook, at least, sufficiently clear, to bring back to the market the conservative type of investor to whom gas stocks formerly made a strong appeal.

Finance and Banking

More Notes in Circulation

The post-Christmas return of notes from the public was halted over the past week, the active circulation over the seven days to last Wednesday showing an increase of £3,225,000 to £911,285,000. The seasonal reflux from the year-end peak has this year amounted to over £15 millions, as against a comparable figure of about £11 millions a year ago. The latest recovery in the circulation must be interpreted in terms of end-of-month requirements, and the downward trend of notes may reassert itself for the next few weeks. One factor which will affect the note situation this year will be the influx or efflux of armed forces to or from this country. On present indications, this promises to work in favour of a reduction in the Bank of England circulation and of a corresponding increase in the issue of Allied military authority notes. The credit basis was appreciably reduced this week, the Bank return showing a fall of £36,345,000 to £139,512,000 in bankers' deposits. This last figure is at present about sufficient to ensure adequate supplies of credit in the short loan market at other than making-up periods. During the past few days supplies of short loan funds have been no more than adequate, and borrowers have been hard put to it to balance their books without having recourse to special assistance. The position is still being eased by an excess of Treasury maturities over payments, though a considerable part of the current maturities are in official hands. These maturities are partly responsible for the fall of £25,110,000 in the Government securities of the Bank of England, though an additional explanation is probably provided by the repayment of ways and means advances, which were shown to be outstanding to the amount of £24 millions at the end of last week. This reduction in the Bank's security holding, together with the rise in the circulation and an increase of £3,396,000 in public deposits, are the principal factors contributing to the contraction of bank cash over the past week.

Dollar-Sterling Free Rate

With the virtual unification of sterling accounts held for United States residents, the free market for sterling in

New York has almost disappeared. There is, however, one somewhat disguised form in which such a market remains. It is as an ancillary to the New York Stock Exchange market in such sterling securities as War Loan, British-American Tobacco, Imperial Tobacco, Distillers and other important industrial shares. The prices quoted for these on the New York curb exchange are about half the London prices if the corresponding quotations are converted at the official rate of \$4.03 to the £. On this evidence, therefore, the "free" rate would be about \$2 to the £. This, however, is not a representative figure and only measures a conversion ratio in which there are many factors apart from the exchange rate. Owing to the exchange control, it is impossible to arbitrage directly between London and New York in these securities. But it is possible for American operators who have access to both markets to switch within the group of these securities and profit by the differential which may exist in the disparities between their sterling and dollar prices. War Loan, for example, has, owing to the exemption from tax, been quoted at a smaller discount than the industrial shares, and, as a result, American brokerage houses have made profits by buying industrial shares in New York, selling them in London, and reinvesting the sterling proceeds in War Loan, which was then resold in New York. As long as the operations necessitate no applications for dollars to the control, they are apparently authorised and have yielded the interests concerned appreciable profits.

Floating Debt in January

The total floating debt in January fell by £2,000,000, the smallest net monthly change for some years past. Within this relative stability there were considerable movements in individual items. Ways and means advances by public departments rose by over £70 millions to £231,695,000, while those from the Bank of England fell from their inflated end-of-year total of £67,750,000 to £24 millions. Treasury bills have undergone a seasonal decline, the total

drop of £42,380,000 being helped by the reduction of bills issued through the weekly tender over the month. The exact separation of the January fall in bills as between tap and tender bills cannot be made, as the December 31st statement did not fall on the last working day of the week. The comparison with the November statement, which allows such exact comparison to be made, shows a fall of £20 millions in tender bills, but a rise of £65,805,000 in bills issued through the tap. The net increase in Treasury deposit receipts last month was £14 millions, the gross amount raised being £158 millions and redemptions £144 millions. Of the latter total, £39 millions was paid off before maturity to cover subscriptions to new Government issues. Of the other debt items, tax reserve certificates again provide the most interesting changes. The redemptions of these certificates, at £24,730,848, are the largest recorded in any month since their issue began. On the other hand, the new certificates taken up last month amounted to as much as £48,650,000 and the persistent increase in their total outstanding thus continues, the latest figure being £469,933,400.

Financing Expenditure

The following table summarises the Exchequer returns to date (January 30th), and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000		£000	
Total ordinary expenditure...	4,592,332	Total ordinary revenue.....	2,144,271
New Sinking Funds.....	9,912	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net).....	90,420
National Savings Bonds...	2,507	3% Savings Bonds 1935-65...	46,786
Increase in balances.....	901	3% Savings Bonds 1939-70...	276,433
		2½% Nat. War Bds. 1949-51...	335,143
		2½% Nat. War Bds. 1951-53...	55,150
		3% Funding Loan 1959-69...	121,650
		3% Nat. Def. Loan 1954-58...	123,600
		Nat. Savings Certs. (net)...	159,900
		Tax Reserve Certs. (net)...	302,337
		"Other debt" (net).....	215,703
		Floating debt (net).....	
		Treasury Bills.....	170,319
		Bank of Eng. Adv.	24,000
		Public Dept. Adv.	36,560
		Treasury Deposits.....	484,000
		Miscellaneous receipts...	21,380
	£4,605,652		£4,605,652

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

North African Franc Revalued

The North African franc, for which exchange rates of 300 to the £ and 75 to the \$ were fixed after the Allied occupation, has this week been appreciated by 33½ per cent. The new rates, which became operative on February 2nd, are 200 francs to the £ and 50 francs to the \$. The original decision to fix the rates for the North African franc at a level other than that quoted for other colonial francs, and the retreat which has now been made from it, provide further evidence of the flat-footedness which has characterised other aspects of the preparations for this Allied campaign. The rates originally fixed, though unfortunate in that they differentiated between franc and franc, could to some extent be justified in terms of the undoubted deterioration which had occurred in the French franc position since the Armistice, and by the value commanded by that currency in such open markets as Lisbon and Tangiers. The decision could have been made thoroughly acceptable to the territories concerned, and to their local population, by paying current sterling and dollar prices for their exports, and giving them the whole benefit of the comparatively "generous" exchange rate. These rates, however, were strongly objected to by the local authorities, and their protests found a ready amplifier in the various organs of Axis propaganda. Germany has become so expert in the arts of indirect looting by depreciating the currency of her satellites that her propagandists were unlikely to miss this occasion of returning accusations so often made against them. The considerable retreat from the original decision should at least serve to quieten this campaign of misrepresentation. If exporters from North Africa continue to be paid the same prices in terms of francs for their produce, they are unlikely to grumble at the new rates. Some interests, however, are bound to be adversely affected. The troops in North Africa, now paid in sterling and dollars, will find the cost of goods and services for which they must pay francs, raised by half. A substantial volume of sterling and dollar military authority notes will have found their way into hoards and in general local circulation. The unfortunate holders of these notes will stand a considerable loss, and will bear the Allies a grievance. This correction of the North

African position still leaves differential rates for the de Gaulle and Giraud francs. It is difficult to avoid the impression that the decision to go back from 300 to 200 francs to the £ and yet refuse the small additional margin which would have brought the North African francs to 176½, and thus to parity with the other colonial francs, springs from the political venom which poisons the whole North African scene.

Year-End Window-Dressing

The material required to measure the extent of the clearing banks' window-dressing over the turn of the year is made available with the publication of the Bank of England Statistical Summary for December. It suggests that the extent of that window-dressing was a record for all times. The composite year-end balance-sheets showed a cash holding of £390 millions, and a ratio to deposits of 10.8 per cent. The Wednesday figures of bankers' balances (reduced by 5 per cent to allow for non-clearing bank items) averaged £152 millions during the month, while the banks' till money averaged £147 millions on the Wednesdays of December. The "true" cash position for December may thus be taken as £299 millions, or £91 millions less than the window-dressed figure for December 31st. The cash ratio obtained by comparing this "true" figure with the end-of-year deposits total would be 8.2 per cent, showing a disparity of as much as 24.1 per cent with the published cash ratio. For December, 1941, the comparable disparity was only 22.7 per cent, the published ratio being 11 per cent and the "true" ratio 8.5 per cent.

The Bank of England Statistical Summary, in its presentation of the clearing bank figures, classifies deposits into current accounts and deposit and other accounts. The aggregate total rose over the year from £3,329 millions to £3,629 millions. Of this increase of £300 millions, no less than £261 millions was accounted for by current accounts, and only £39 millions by deposit and other accounts. This indication tallies with the bankers' clearings evidence of an increase in the velocity of circulation of credit.

Voice of the North



Investment

Postwar Framework

There is scarcely a paragraph of Sir Kingsley Wood's review in the debate on economic policy which is not of some interest to the investor. From their point of view, it is heartening that he included courageous investment as one of the prime factors in producing the prosperity and security which all desire. The three points which may have most immediate influence in determining investment policy are those relating to the control of new capital issues, the high priority for exports and the view that some reduction in taxation will be an essential part of any scheme—coupled with the hope of maintaining the general level of prices somewhere about the present figure. It must be stressed that nothing in the Chancellor's speech is more than an aspiration or, at best, an objective. No policy was even sketched for obtaining the ends in view. It is, however, at least reassuring to find that the aims are largely what one hoped to find them. It is, perhaps, rather discouraging to find that the Chancellor still talks in terms of controlling issues of capital, and in a different section of his speech of stimulating capital equipment by credit or other financial measures. There should be a single scheme for controlling the acquisition of new, and maintaining the existence of old, physical capital. It is extremely doubtful whether the pre-war practice of "vetting" individual applications ought to be the instrument for implementing Government policy in this matter, although it might render service as a protection to the investor. Even on the basis that prices of essentials are likely to be stabilised by grants for some time to come, it is interesting to learn that the Chancellor sees hopes of the general price level settling down at about its present level. This is in line with his general contention that there is at present little or no inflation. The exposition seems to suggest a rather rigid limitation of profit margins for some time to come. In the context of anything approaching full employment at current wage rates, it also

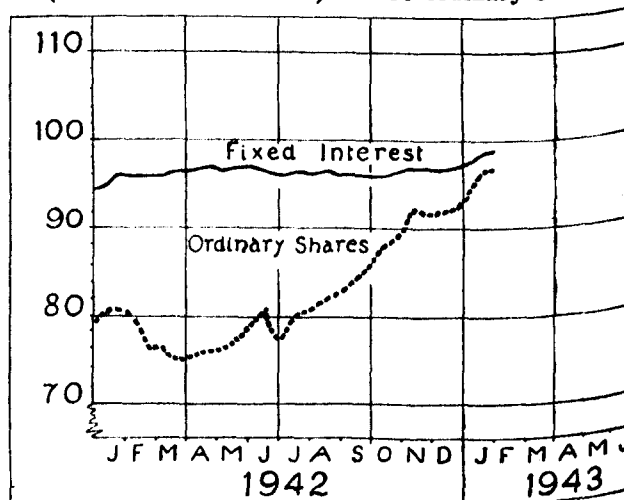
suggests a very substantial recovery in the normal demand for goods.

The most definite pointer is, perhaps, that provided by the high priority for exports. *The Economist* has always maintained that this will be essential. It provides definite encouragement to invest in post-war export industries whatever those may be. There is, fortunately, no indication that the stimulus is to be applied in such a way as to preserve the pre-war set-up. The Chancellor talks of assistance in raising capital, of the need for research, for better financial statistics and improved capital equipment, but not of subsidies and other incentives to the maintenance of the status quo. This is all to the good so far as it goes. What is now required is that these generalisations should be translated into a coherent series of measures which shall give the utmost freedom of enterprise, compatible with execution of the central plan, and the greatest opportunity for all to contribute to the plan and to criticise its operation.

Milestone for Equities

Now that full figures are available, it is possible to see that the month of January not only lived up to the reputation established in the three preceding years, but far exceeded it, at least in equities. As will be seen from the chart of the indices of *The Financial News*, the rise in the equity line is a good deal sharper than a year ago. The absolute rise in the figure is, in fact, five times as great as 3.5 points to a new high, since mid-January, 1938, of 97.2. Meanwhile, *The Actuaries' Investment Index*, after the virtual stability of December, resumed its upward course almost the old rate. Despite the opening burst of buying the rise in trustee stocks does not seem to have been a great last month as it was a year before, but that in industrial debentures and preference shares is greater. The

FIXED INTEREST AND EQUITY SECURITY
MOVEMENTS (July 1, 1935=100)
Financial News Indices of 20 fixed-interest securities
(converted to new base) and 30 ordinary shares



general effect is a further closing up in yield margins, both within the equity group itself, and between the various main groups named. The fall in equity yields has been far greater than that in any other section, and the movement passes an important milestone during the month. *The Actuaries' index* gives the yield on industrial preferences as 4.31 per cent, and that on industrial equities as 4.29. Thus, for the first time since April, 1937, the yield on the latter is below that on the former. For some years prior to the date mentioned, the equity yield was consistently below that of preference capital, and not uncommonly lower than that of debentures, although in this period it was always at least ½ point higher than the return on 2½ per cent Consols. The yield basis is, thus, approaching that ruling during a period of reasonable trade activity, when, however, unemployment fluctuated between some such figures as two and one and a-half millions. It was also a time when the long-term

outlook was becoming increasingly obscure. Bearing in mind the fact that, over a considerable part of the industrial field, some increase in distributions ought to be possible within a comparatively short time of the end of hostilities, it cannot be said that the existing yield structure is unduly distorted in favour of equities.

Further Closing of Margins

Throughout the whole equity section of *The Actuaries' index*, the only item in the value figures which fails to show a rise is shipping shares. The persistence of falling yields is not quite so uniform, for increased coal and cotton dividends caused rises in both these. In the fixed interest categories, the only exception to the general rise is a drop from 128.6 to 125.3 in investment trust debentures. This is probably due to some technical consideration. Despite the attention attracted to home railway ordinary shares, this index shows greater proportionate improvements in iron and steel, building material, electrical manufacturing and gas stocks, and at least as large a rise in oil shares. As a result of these adjustments, gas stocks now yield appreciably under 3 per cent, while the only yields materially above the average of 4.29, in the industrial list, are those on aircraft, coal, home railway, iron and steel and brewery shares. The range of yields, which was from 10.23 for aircraft to 2.90 for cotton a year ago, is now from 7.57

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)			Average Yields			
	Jan. 27, 1942	Dec. 29, 1942	Jan. 26, 1943	Jan. 27, 1942	June 30, 1942	Dec. 29, 1942	Jan. 26, 1943
2½% Consols	147.8	145.7	146.5	3.02	3.04	3.06	3.04
Home Corps. (4)	140.9	142.6	145.0	3.31	3.29	3.27	3.22
Total Indus. Dets. (43) ..	116.4	119.7	121.2	4.12	4.04	3.96	3.92
Total Ind. Pref. (101) ..	102.0	107.7	109.8	4.51	4.55	4.38	4.31
Insurance (10)	100.3	100.2	102.6	4.00	4.02	4.15	4.06
Buildings Mats. (6)	70.4	82.6	87.1	3.86	4.14	3.56	3.39
Elec. Minig. (13)	130.1	141.8	149.2	4.78	4.67	4.38	4.15
Gas (8)	66.7	85.1	89.3	3.40	3.21	3.04	2.92
Iron and Steel (18)	54.7	63.0	66.6	6.17	6.21	5.60	5.30
Oil (4)	56.2	71.0	74.4	4.31	5.37	3.34	3.23
Total Productive (90)	63.3	73.1	76.2	5.13	5.29	4.62	4.44
Home Rails (4)	47.8	72.0	75.5	6.14	7.64	5.68	5.39
Total Distributive (29) ..	50.7	63.9	65.8	4.40	4.77	4.11	3.86
Breweries	116.2	133.2	137.0	5.05	5.08	4.58	4.45
Total Miscellaneous (40) ..	71.0	78.6	81.0	4.85	4.96	4.40	4.28
Industrials— (All Classes) (159)	62.0	72.0	74.7	4.93	5.11	4.47	4.29

for the former to 2.92 for gas stocks. The average divergence of the fifteen sub-groups from the main yield index is now 0.88 points, against 1.13 one year, and 1.693 points two years ago. Rather over half the reduction in divergence is due to the general fall in yields and the remainder to a general assimilation of one yield to another. Outside the industrial list, the most important move in equities is a recovery in insurance shares. The rise is, however, less than a quarter of the fall produced in the few preceding weeks by the recommendations of the Beveridge Report. As has been pointed out before, the experience of recent years offers no guidance to the next step in equities. All that can be said is that they have been very firm; that a fair amount of vesting money goes into this form of security, and that there is no military reverse in sight such as occasioned relapses last year and in 1941.

Background for Kaffirs

Recent movements in the prices of Rand gold-mining shares appear to be based mainly on considerations arising out of the approaching budget. In recent years, it has been the practice of Union governments to impose heavier and heavier taxation on South Africa's principal industry. But it was not until last year that this practice, coupled with rising costs and limitation of supplies of labour and materials, resulted in an appreciable decline in distributable profits, and a fall in actual output. It is now rather over ten years since the Rand was given, not only an extended lease of life, but an unexpected expansion, by the raising of the official price of gold. Even without the ill-effects of total war that stimulus would now be wearing thin. The third interim report of the Union Industrial and Agricultural Requirements Commission, now over a year old, reported, *inter alia*, on the position of the gold mines. The

Government engineer then estimated that the amount of millable ore would fall from 64.5 million tons in 1940 to 54.4 millions ten years later, and would be reduced thereafter so rapidly that it would be only 26.3 millions in 1955 and 9.1 millions in another decade. These figures are admitted to be less favourable than other estimates, made for the Union Corporation, which, to the outsider at least, appear to take a rather more realistic view of the prospects of development of existing mines and of improvement in the facilities for development in depth. None the less, the best that seems possible, on the basis of the figures then presented, is that an almost immediate decline can only be avoided by an appreciable sacrifice in the life of the mines, and that no measures can defer a rapid falling off much beyond 1950. These calculations assume a continuance of the existing price-cost relationship. The period would be lengthened by a rise in the price of gold, by an improvement in mining technique, or by a fall in general prices. In point of fact, the whole trend of world opinion is toward financial policies which make for higher prices. Is there any reason to suppose that the post-war parity between the



Estab.

1835

THE NATIONAL BANK LIMITED

MEMBERS OF THE LONDON BANKERS' CLEARING HOUSE

CAPITAL SUBSCRIBED - £7,500,000
CAPITAL PAID-UP - £1,500,000
RESERVE FUND - £1,170,000

The National Bank offers a comprehensive Banking Service covering every modern requirement.

The following figures will give some indication of the Bank's steady progress through the years—an achievement attained without the aid of amalgamation:

Year	Number of Offices	Deposits
1850	47	£1,192,000
1900	100	£11,253,000
1942	264	£44,455,000

HEAD OFFICES:

13-17 OLD BROAD STREET, LONDON, E.C.2
and

14 BRANCHES IN THE METROPOLIS

Also at

LIVERPOOL, MANCHESTER, SALFORD,
BRISTOL, CARDIFF, SWANSEA, etc.

IRELAND

34 & 35 COLLEGE GREEN, DUBLIN

Branches at BELFAST, CORK, LIMERICK, WATERFORD
and throughout the country.

AGENTS AND CORRESPONDENTS ALL OVER THE WORLD

LLOYDS BANK LIMITED

Head Office: 71 Lombard Street, London, E.C.3



Statement of Accounts

31st December, 1942

LIABILITIES		£
Paid-up Capital	...	15,810,252
Reserve Fund	...	10,000,000
Current, Deposit, and other Accounts	...	647,177,531
Acceptances	...	77,224
Endorsements, Guarantees, and other Obligations	...	22,320,802
ASSETS		
Cash in hand, and with the Bank of England	69,203,957	
Balances with and Cheques on other Banks		
in the British Isles	29,516,200	
Money at Call and Short Notice	21,080,854	
Balances with Banks abroad	5,804,720	
Bills Discounted	47,252,710	
Treasury Deposit Receipts	155,000,000	
Investments at or under Market Value	193,602,648	
Investments in Subsidiary and Auxiliary Companies—		
The National Bank of Scotland Ltd.	3,124,050	
Lloyds & National Provincial Foreign Bank Ltd.	600,000	
Indian Premises Company Ltd.	54,502	
Loans and Advances	120,356,204	
Other Assets and Accounts	20,541,128	
Bank Premises	6,850,810	
Liabilities of Customers for Acceptances, &c.	22,398,026	

Union and the USA will give a higher price than the present to gold? It is against this background that the Union has to decide its taxation policy. There is no longer any useful purpose in maximising gold output, if to do so interferes with the war effort. It is probably in the interests of the Union, provided no fall in the price of gold is anticipated, to discourage attempts to maintain production by any process of skimming the cream in these times of difficulty. The Commission recommended an investigation to discover the best means of maintaining a stable production for the longest possible period. At the present time there are more alternatives to gold mining open to the Union than has ever been the case before. It would appear not unreasonable to suppose that a policy aimed at economising gold extraction for the time being, insofar as this can be done without disturbing the finances of the country, might well prove suitable.

A Study in Conversions

Announcements of two important conversion operations have been made in the past week. The first, and the larger, concerns the Associated British Picture Corporation. Full details are not yet available, but it is proposed to redeem at 103½ the outstanding £3,055,542 5 per cent First Mortgage debenture, and replace it by £3,000,000 of 4½ per cent debenture stock. Owing to the high premium on redemption, the net saving on gross interest charges will be a mere £10,000, equivalent to only ½ per cent on the equity of £2,000,000, assuming the new stock is issued at par, or some £11,280 if issued at 101. Under the circumstances, it may be suggested that the operation might well be postponed until a longer experience of prosperity has thoroughly established the cinema industry, when slightly more favourable rates may be obtainable. The other scheme is put forward by Debenhams, Ltd., who propose to redeem £2,694,114 5 per cent First Mortgage debentures at 102 on September 1st next, by the issue of £2,000,000 4 per cent stock at 101½, repayment of unconverted stock being made from the company's accumulated funds. A sinking fund of 1 per cent per annum is to be applied in the purchase of stock at a net price not exceeding 102½, or in repayment of drawn stock. Drawings will commence July, 1944, to the extent that stock is unobtainable in the market. The final redemption date is September 1, 1978, with the right to redeem the whole, but not part, at any time between 1953-68, subject to six months' notice, at 103, and thereafter at 102½. The small group of equity holders benefit from an annual saving on interest of £19,220, plus the amount by which 5 per cent on £694,114 exceeds what is now earned on that sum. This appears to represent at least 4 per cent on the ordinary shares.

Company Notes

BAT Liquidity

The full accounts of the British American Tobacco Company provide no information as to profits additional to that contained in the preliminary statement, discussed in *The Economist* of January 23rd last. The balance-sheet, however, is slightly more informative. In addition to the temporary loss of income from the American subsidiary, the report discloses that, of investments in and advances to subsidiaries valued at £27,026,450, some £10,080,000 are now under enemy control. It would be interesting to know what provision has been made for the rehabilitation of these properties after the war. A further clue to the sharp fall in net profits is indicated by the new holding of £5,000,000 Tax Reserve Certificates, while sundry creditors, including taxation, have risen some £3,596,000 to almost £12,780,000. The parent's financial relations with its subsidiary and associate companies have undergone a startling

ESTABLISHED 1824
SCOTTISH UNION AND NATIONAL
INSURANCE COMPANY
 ASSETS EXCEED £18,000,000
 FIRE LIFE ACCIDENT MARINE
 Edinburgh: 35, St. Andrew Square.
 London: 5, Walbrook, E.C.4 (Temporary Address: 5, Lothbury, E.C.2)
 and 48, Pall Mall, S.W.1.

change, last year's net credit balance on loan and current account of nearly £4,500,000 has been altered to a net debit of some £23,000. The change, doubtless, arises partly in connection with the loss of the Far Eastern interests. It is likely that this has also provided the means of financing a 50 per cent. expansion in tobacco stocks from some £4,800,000 to over £7,250,000, and an addition of some £685,000 to the previous year's holding of £3,053,125 of British Government securities. Although both cash and debtors are slightly lower, the liquid position of the company has improved considerably, net surplus assets totalling some £11,800,000, against £7,520,000, excluding inter-company items. The belief that the company is well equipped for the future is apparently shared by the market, which values the £1 ordinary shares at 101s. to yield only £1 19s. 10d. tax free.

R. A. Lister Accounts

In the year to September 30th last, R. A. Lister, the important manufacturers of agricultural machinery, show a jump in profits after depreciation, tax and contingencies, from £131,517 to £163,940. In view of a reduction in the total provision for staff funds from £17,807 to £9,050, and assuming that the transfer of £30,000 against nil to stock contingencies should not be treated as a free reserve, there is a rise in equity earnings from £70,605 to £82,007, representing 23.4 against 20.2 per cent. There is no increase in the ordinary payment, which remains at 16 per cent. General reserve receives £25,000, against £15,000, and the carry forward is raised from £70,468 to £71,475. The reason for the improvement would appear to be the substantial increase in the official and unofficial demand for agricultural implements, coupled with a certain cost-saving rationalisation of type. The company's balance-sheet shows declines in debtors, creditors and in net loans to subsidiaries, which stand at £135,285, against £153,585. But these are offset by a rise in stock from £727,107 to £805,601. Further, the summary of assets and liabilities of the group shows an increase in both creditors and all current assets. The subsidiaries have, however, distributed almost to the hilt and the surplus shows a rise only from £413,276 to £445,310, with a slightly smaller rise in net liquid assets. In the balance-sheet of the parent, the liquid position is even stronger than before, surplus liquid assets standing at £1,380,741, against £1,241,374, while the total of general reserve and carry forward is up from £829,703 to £855,710. The concern should be assured of a further successful year in the current period. The £1 ordinary shares, at 74s. 6d. ex dividend, yield £4 5s. 11d. per cent.

Boot and Shoe Results

The results of the five boot and shoe manufacturers and distributors, which are analysed below, show a surprising capacity to maintain turnover. The only two concerns which disclose a profits figure struck before all taxation, *Bignells* and *Lotus*, earned a higher revenue than in either of the two previous years. In the case of *Bignells*, the rise in tax liability from £25,020 to £33,420 is sufficiently moderate to permit an increase in the rate earned on equity capital and in the ordinary distribution from 6 to 8 per cent. *Lotus*' tax liability was more than £78,000 higher at £235,000. Thus, there is a decline in the earned rate and a 2 per cent cut in dividend to 8 per cent. *Stead and Simpson*, with a decline in tax provision of £1,500, show a marked rise in equity earnings from 5.7 to 10.2 per cent, thus covering the ordinary dividend for the first time since 1939. The income tax provision of *William Timpson* is constant, and the decline in disclosed profits shown after EPT may in this case be due to lower turnover or the operation of cost factors. The 15 per cent ordinary dividend is still handsomely covered. In the case of *L. and J. Weber and Phillips*, the decision to raise the ordinary payment from 9 to 10 per cent is not supported by any substantial improvement in net income. The chairmen refer to the operating difficulties, the shortage of labour and materials and the effects of rationing. It is clear, however, that the saving in cost which followed the introduction of the utility shoes and the demands of the forces have made it possible for the industry to continue to produce on a profitable basis. Balance sheets show a general fall in stocks and increase in cash or Government securities. This is particularly marked

(Continued on page 192)

Industry and Trade

The Industrial Prospect

The note of optimism about the post-war prospect of British industry struck by Sir Kingsley Wood and Mr Dalton in the House of Commons this week was refreshing. There will be no lack of opportunity. The war has acted as a tremendous stimulus to technical progress; in so far as this will bring higher productivity in peace, it will provide some compensation for physical destruction during the war. The war, said Sir Kingsley Wood, has released in all industrial countries a high potential of invention and development over a much shorter period than would ordinarily occur. There are important technical changes at work, such as the chemistry of oil, the development of plastics, the increasing use of light alloys and the processing of foodstuffs. The importance of developments in the chemistry of oil has been frequently emphasised by *The Economist*; the prospect of expansion in the use of plastics was underlined by Dr H. Barron last week-end in his address to the conference arranged by the Association of Scientific Workers. But the future does not merely lie with new industries; there is still great scope for some of the older industries by the introduction of new methods. Coal is an important example. But, as Sir Kingsley Wood rightly pointed out, the opportunities will have to be seized if Britain is to maintain its position, as it can, in the industrial world. Some of the conditions which will have to be fulfilled to this end are discussed on page 165.

The Locomen Think Again

Mr Bevin, to whom the Associated Society of Locomotive Engineers and Firemen had submitted their case for a reconsideration of the recent wages award of the Railway Staff National Tribunal, rightly expressed the view that it would be

contrary to the spirit and intention of the Conditions of Employment and National Arbitration Order and to the policy which he has consistently followed in support of agreed joint machinery if, for the purposes of the Order, the Minister were to regard as a trade dispute the wages claim which had been the subject of decision by an independent arbitration tribunal, which claim had been referred to them for final decision by agreement of the parties concerned.

Had Mr Bevin given way to the demand of the ASLE and F, the national conciliation machinery, which has hitherto worked smoothly, would have been prejudiced.

He would have created a precedent whose consequences might well have been unfortunate, especially as the Locomen's demand for a review of the Staff Tribunal's decision was accompanied by a threat to strike. The executive committee of the ASLE and F, wisely, has withdrawn its threat to hold up essential transport by a strike. Another delegate conference has been convened for February 17th, when it may be decided to initiate a new wages claim. It is a pity that the ASLE and F did not take this course in the first place.

Shipowners and Builders

The announcement that shipowners and shipbuilders intend to form a joint committee "for examining mutual post-war problems" is important in its implications. Among the problems to be examined jointly are the spreading of shipbuilding orders and the regulation of prices as a means to even out fluctuations in production and employment; special attention is to be given to research. The move is a reflection of the interdependence of the producers and the operators of ships. The centre of gravity is rapidly shifting to the United States, which is now the leading shipbuilder, and on the way to becoming the leading shipowner. After the last war, during which the United States also expanded its shipbuilding capacity in order to fill the gaps made by the U-boat, Great Britain recovered its predominance in building, and maintained its lead as an owner of ships, largely by sheer skill and efficiency, and by its far-flung trade. The two industries will only prosper after the war by the methods of initiative and enterprise that have stood them in good stead in the past. To hold their own, British shipowners must not only run their ships efficiently, but they must be able to buy them at least as cheaply as other shipowners; and it is to be hoped that British shipbuilders will be able to supply ships on such terms. Any arrangements that owners can make with builders to facilitate that task can only be welcomed.

Labour Relations

The number of working days lost through trade disputes, as recorded in the *Ministry of Labour Gazette* for January, rose from 1,080,000 in 1941 to 1,530,000 in

THE NATIONAL BANK OF SCOTLAND
 Head Office: **EDINBURGH**
 ESTD. 1825
 Branches throughout **SCOTLAND**
LONDON OFFICES: 37 Nicholas Lane, E.C.4; and
 18-20 Regent Street, Piccadilly Circus, S.W.1
 Every description of Banking Service undertaken, including Foreign Exchange, Trustee and Executive business.

THE BANK OF NOVA SCOTIA
 (Incorporated in Canada with Limited Liability)
 Established 1832.
 General Office: Toronto, Canada.

Paid Up Capital	...	...	...	\$12,000,000
Reserve Fund	...	...	...	\$24,000,000
Total Assets over	...	...	...	\$360,000,000

 Special facilities are available to the public through the Branches of this Bank for the transaction of business with Canada, Newfoundland, Cuba, Puerto Rico, Dominican Republic, Jamaica, and the United States at New York.
 Address enquiries to
 London Branch:
 108 OLD BROAD STREET, E.C.2.
 E. C. MACLEOD, Manager.

NATIONAL BANK OF EGYPT
 Incorporated in Egypt
 Liability of Members is Limited
 Head Office - - - **CAIRO**
 Commercial Register No. 1, Cairo

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

 London Agency:
6 & 7 King William Street, E.C.4
 Branches in all the Principal Towns in EGYPT and the SUDAN

DOMINION OF CANADA
 TWO-AND-A-HALF PER CENT. INSCRIBED STOCK, 1947
 For the purpose of preparing the Interest Warrants due 1st April, 1948, on the above-mentioned Loan the BALANCES will be STRUCK on the evening of the 1st March, 1948, after which date the Stock will be transferred ex-dividend.
 For the Bank of Montreal, Financial Agents of the Government of the Dominion of Canada in London.
 EDWARD POPE, Manager.
 47 Threadneedle Street, E.C.2.
 1st February, 1948.

THE WOOL (& ALLIED) TEXTILE EMPLOYERS' ORGANISATION require in Bradford the services of a first class Secretary with knowledge of general commercial and labour problems. Apply in writing stating age, experience and salary required to Chairman, Lloyds Bank Chambers, Bradford.

1942, the highest figure since 1937. True, the loss of time was only a tiny fraction of the number of days worked, and it was still well below the lowest figure for the last war; but in war every working day counts. During the last war the number of working days lost ranged from 2,450,000 in 1914 to 5,900,000 in 1918. It would have been interesting if the Ministry of Labour had made an estimate of the time lost through absenteeism. More than one-half of the number of working days lost occurred in the coal-mining industry during the first half of the year. The increase in miners' wage rates in June was followed by a marked reduction in disputes. The average level of full-time weekly wage rates, inclusive of agriculture, rose by about 5 per cent during the year; but as was shown in an article on "Workers' Incomes" in *The Economist* on January 16th, actual weekly earnings rose appreciably faster, partly a reflection of an increase in productivity. The official cost of living index remained almost unchanged throughout the past year; the rise in the prices of fuel and light and of miscellaneous non-food items was offset by the reduction in the price of clothing.

Cheaper Clothing

An interesting feature of the movement of retail prices during the past year has been the reduction in the average level of prices of working-class clothing and clothing materials. Between January and August the Ministry of Labour's index of clothing prices rose slightly (by 1.25 per cent), but during the remainder of the year it fell by 8.6 per cent. The reduction in prices can be attributed chiefly to increasing sales of utility goods, which, on the average, are cheaper than non-utility goods of corresponding quality, and to the removal of the purchase tax from utility goods dispatched to retailers after August 3rd. The prices of non-utility goods, which had risen during the first seven months of the year, were also made subject to stricter control in order to stem the advance. The Board of Trade's success in bringing down the prices of clothing by the utility scheme shows what can be done by a determined effort to reduce the prices of goods which are consumed in large quantities.

Planning of Science

The present war has been described as an engineers' war; it might equally be described as a scientists' war. How to harness the nation's scientific knowledge and experience to the war effort and to achieve maximum co-ordination of scientific effort were the dominant themes at the conference organised by the Association of Scientific Workers this week-end. Sir Stafford Cripps gave an impressive review of the numbers of scientific bodies and committees which are advising the Government in one way or another; but he did not altogether convince his audience that the actual central direction of the scientific war was as effective or as integrated as it might be. His picture of what was described by one speaker as an "unwieldy set-up" only seemed to confirm the demand which has been put forward by the Association, and has been supported by Professor A. V. Hill and others, for the creation of a Central Scientific and Technical Board, which would be in direct contact with the War Cabinet, and would thus be in a position to assist in relating the country's scientific potential to war strategy and requirements. Such a Board, it is suggested, would have executive powers to initiate programmes of work, direct personnel and collect technical data. Considerable progress has been made in the past year, both centrally and locally, in developing and utilising scientific research for the benefit of war production. In particular, close relations have been established between the RAF and scientists through Operational Research Sections which analyse the practical working of radiolocation devices. But there would seem to be room for improved co-ordination in the industrial field. There was some evidence of a sense of frustration—many speakers complained about the misuse of scientific manpower, and instances were given of qualified scientists working on projects not immediately related to the war, but designed to secure their firms' competitive ascendancy in the post-war market. The reluctance of some firms to pool technical knowledge and trade secrets was alleged, while the difficulties encountered in securing representation of scientific and technical staffs on joint production committees was a recurrent criticism. In general, the conference indicated the growing desire on the part of scientists, especially the younger scientists, to use their skill for the benefit of the community as a whole, both during the war and

after it, and to eschew purely academic research—an abnegation which, however, might prove a dangerous delusion, from the community's own point of view.

Ideal Homes?

The new concept of social medicine—the idea that a person's health can only really be studied in relation to his family and environment—is bearing fruit. The Central Housing Advisory Committee of the Ministry of Health asked the Royal College of Physicians for its views on the design of houses from the point of view of health, and the latter's Committee on Social and Preventive Medicine has drawn up a memorandum. The memorandum describes in detail the sort of housing estate and the design of houses which are necessary if good health is not to be affected by living conditions, and the picture outlined leaves most of Britain's pre-war housing schemes far behind. The doctors state that the standards of floor space and areas of rooms laid down by the Ministry of Health before the war were inadequate, and they regard the idea that children need less air space than adults as a "pernicious doctrine." They condemn, too, the reconditioning of unfit property, which was carried out under the Housing Acts as an alternative to the demolition of slum property. They also urge the provision of specially designed homes for the aged poor—becoming more and more necessary as England's population gets older—where they can live comfortably, not in isolated colonies, but among the community of which they are still a part. The problem of the incorrigible slum-maker is also dealt with, and the provision of communal amenities for the whole estate, such as children's playgrounds, cheap wholesome meals on the lines of British Restaurants, and health centres, is urged. Inside the house, the doctors look for proper sanitation, hot and cold water laid on, efficient cookers, facilities for food storage, airing cupboards and labour-saving devices generally. Before the war, many of these proposals would have been regarded as attainable only by persons of middle and higher incomes, as luxuries belonging to ideal homes. The doctors, however, regard them as necessary for health and as essentials for housing schemes for the poor. It is true that in drawing up their memorandum they have specifically excluded economic and financial factors, such as rent. But if, in the interests of health, the standards laid down by the doctors are necessary, it is surely the Government's duty to see that they are achieved—and available at rents which can be paid.

Cotton Yarn Margins

Ever since the operatives in the spinning branch of the cotton industry secured an advance in wages early in January it has been taken for granted that the profit margin of spinners would be increased to meet the additional labour costs. At the beginning of this week there were issued Control of the Cotton Industry (No. 40) Order, dealing with American type and Egyptian type single yarns, No. 41 Order covering doubling margins and No. 42 Order dealing with waste yarns. It was pointed out that the margin increases provided for in the No. 40 and No. 42 Orders arose mainly from the recent agreements to increase wages in the spinning industry and to grant an additional week's holiday with pay. In No. 40 Order provision has been made for a revision in the waste allowance for Egyptian type yarns, but the increase in the spinning margins of these yarns is greater than that which applies to American type yarns. The changes in doubling margins provided in No. 41 Order take account not only of the wages increase, but also of the results of an investigation of doubling costs by a committee of accountants which advise the Cotton Controller on the effect of the controlled prices. Instead of granting a percentage increase in margins, the authorities have decided to issue completely new schedules. The prices of raw cotton have been reduced by 1d. per lb. in order to prevent the changes in margins leading to an increase in the general level of yarn and cloth prices. Abroad the trend of raw cotton prices has been upwards. According to No. 40 Order, the figure to which American type yarn spinners add controlled margins to arrive at the prescribed price of yarn is reduced from 8.90d. to 7.80d. per lb. The combined effect of these changes has been to reduce the price of certain types of yarn. As a result there may have to be a revision of cloth prices to bring everything into line. It is reported that prices for manufactured cotton goods in Great Britain are now appreciably lower than in certain other manufacturing countries, that in India, for example, cotton cloth is now being sold at about 80 per cent above Lancashire prices.

COMPANY MEETINGS

DALGETY AND COMPANY, LIMITED

BUSINESS WELL MAINTAINED

The adjourned fifty-eighth annual general meeting of Dalgety and Company, Limited, was held, on the 4th instant, in London, Major-General Sir John H. Davidson, K.C.M.G. (the chairman), presiding.

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

The business of the company has been remarkably well maintained during the past year, in spite of many difficulties, but indications point to a contraction in earning-power in several directions, due primarily to difficulties of shipping, restrictions of imports and to rationing, and we must be prepared to see some falling-off in our results next year.

BURDEN OF TAXATION

In addition, the heavy taxation levied both in this country and overseas constitutes a grievous burden. To give you some idea of the weight of this burden, the combined United Kingdom and Overseas taxation for 1939 was £82,000, for 1940 £221,000, for 1941 £260,000, and for the year under review £366,000.

With regard to wool, it is satisfactory to be able to report appreciable increases in both the Australian and New Zealand clips, that of the Dominion again establishing a record. Appraisements under the Government Purchase Scheme proceeded reasonably smoothly throughout the season. Production in the Commonwealth was estimated at 3,656,013 bales, an increase of 44,090 bales on that of the previous season. Practically the whole of the wool was disposed of, the gross realisations being £A63,127,615. Reports indicate that prospects generally are favourable for another good clip during the present season, though other factors may set a limit to these increases in production.

New Zealand again experienced a satisfactory season, the clip amounting to 985,812 bales, an increase of 37,649 bales compared with 1940-41. The proceeds of shorn and slippe wool together amounted to £NZ18,172,748. Seasonal news is favourable and it is expected that this year's clip will be well up to last season's figures.

One of the most important happenings during the period under review was the decision of the British Government to increase by 15 per cent. the price to be paid for Australian and New Zealand wools, the new prices taking effect in the season now in progress. This will not only be of advantage to the company, but of immense benefit to its great wool-growing clientele.

CONTROL OF WOOL CLIPS

I have referred above to the considerable increases which have taken place in the Australian and New Zealand clips and, whilst no one can regard them as other than excellent in themselves, under war conditions they bring in their train added handling and other difficulties which are becoming especially acute in Australia. So much are these now making themselves felt that the Federal Government is taking matters in hand and has adopted proposals which include measures to conserve labour and transport, and even have in view the reduction of flocks.

The 1941-42 Australian wheat crop was 164,920,000 bushels, and the estimate for the 1942-43 crop is 145 million bushels.

Turning to the accounts, we have considered it prudent to conserve our resources somewhat, and while recommending the payment of a final dividend of 3 per cent. (making 6 per cent. for the year), to increase our carry forward by approximately £9,000.

The report and accounts were unanimously adopted.

THE NATIONAL BANK, LIMITED

ANNUAL GENERAL MEETING

The one hundred and eighth annual general meeting of the proprietors of the National Bank was held, on the 28th ultimo, at the head office, 13 Old Broad Street, London, E.C.

The chairman, Mr. Michael J. Cooke, presided, and the secretary read the formal notice convening the meeting and the report of the auditors.

The report and accounts, which had been previously circulated, were—with the approval of the proprietors present—taken as read, and the chairman reviewed the figures of the balance-sheet and referred to the payment of the dividend at the rate of 10% per annum and the transfer of £10,000 to both the reserve and the premises accounts, which left £41,788 carried forward.

The chairman moved:—"That the report and balance-sheet to December 31, 1942, be adopted by the meeting and entered on the minutes." Sir Thomas F. Molony, Bt., P.C., seconded the motion, which was carried unanimously.

The retiring directors were re-elected and the auditors, Messrs Peat, Marwick, Mitchell and Company and Messrs Stokes Bros. and Pim, were reappointed for the ensuing year.

THE NATIONAL BUILDING SOCIETY

ANNUAL GENERAL MEETING OF MEMBERS

The ninety-third annual general meeting of members of the National Building Society was held at National House, Moor-gate, on the 29th ultimo, under the chairmanship of Mr Stanley C. Ramsey, F.R.I.B.A. His speech referred to the policy of the society as one of prudent retrenchment, the effect being to strengthen its position and to ensure a full measure of liquidity. Thus reserves, at over £2½ millions, stood at the highest level ever recorded.

Over £1 million was received in fresh share investment during the year, though this inflow was counterbalanced by the repayment of special deposits. The aggregate of shares and deposits stood at £28½ millions. Fresh business had not been sought, and only mortgages conforming to the highest standards had been accepted. Meanwhile, mortgage repayments and interest had risen, the revenue from that source being nearly £3½ millions.

A STRONG POSITION

A large inward flow of funds had thus helped to conserve the strong and liquid position of the society. Well over £1 million had been invested, mainly in Government funds, the total of investments outside the society rising to exceed £2,100,000, while cash at bankers was more than £600,000.

Income-tax and National Defence Contribution absorbed £469,000, and he noted that this was a load of 1½ per cent. on the aggregate of share and deposit capital in the hands of the society. The rate allowed on share investments remained at 2½ per cent. free of tax, which was equivalent to the favourable return of 5 per cent. where the full standard rate of tax had to be borne, while on deposits the rate offered was 2½ per cent.

During the past year most of the war damaged houses had been repaired. Members had benefited from the provisions of the War Damage Act of 1941, which also provided an additional safeguard for the

THE OUTLOOK

The chairman observed that the need for fresh building and re-building would be pressing when peace was restored. It could only be done by the co-operative effort of a great many people; by the house builders, by the architects, by local authorities and the Government, and last, but not least, by the building societies, who provided the vital link between builders and house owners. Private enterprise was part of Britain's inheritance, but it must be in furtherance of the national interest. It was the little ships that helped to bring about the epic of Dunkirk.

A people roused to arms, he believed, was now roused to the need for reconstruction in peace, and the great stirring in ideas would clearly lead to practical and constructive reform.

The speech was received with acclamation, and the report and accounts passed.

BIGNELLS, LIMITED

SATISFACTORY RESULTS

The sixth annual general meeting of Bignells, Limited, was held, on the 29th ultimo, at Rushden, Mr Arthur J. Bignell (chairman and managing director) presiding.

The following is an extract from the statement of the chairman circulated with the report and accounts for the year ended November 28, 1942:—

The accounts show a net profit of £12,613 (as compared with £10,727 last year), subject to income tax, but after making provision for directors' fees, depreciation, war damage insurance, and estimated liability for excess profits tax. The trading profit amounted to £46,108, which, after charging directors' fees, depreciation, war damage insurance, and estimated liability for excess profits tax, resulted in a net profit of £12,613. After providing for income tax, the final and the interim dividends of 3 per cent. on the ordinary shares paid on January 31 and on July 20, 1942, respectively, the half-yearly dividends on the 6 per cent. preference shares paid March 25 and September 29, 1942, there remains a balance available of £9,746.

The directors recommend that a final dividend of 5 per cent., less income tax, be paid on the ordinary shares, making, with the interim dividend already paid, 8 per cent. for the year ended November 28, 1942. The final dividend will absorb £1,875. The directors also recommend that the sum of £1,055 be applied in reduction of goodwill, leaving a balance of £6,815 to be carried forward. Taking into consideration difficult trading conditions and control of labour and action, your board feel justified in expressing satisfaction with the results as shown by the accounts.

The report was adopted.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

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

(Cheques to be made payable to The Economist Newspaper Ltd.)

Publishing Office:

Brettenham House - Lancaster Place, London, W.C.2

Telephone No.: Temple Bar 3316

(Continued from page 188)

in the case of *William Timpson*, whose stock is reduced from £608,676 to £365,371. Shortage of raw material may well prove a limiting factor in the current period.

Company (Years ending December 31)	Total Disclosed Profits		Earned for Ordinary		Dividend	February 5, 1943	
	£	£	Amount	Rate		Price	Yield
<i>Bignell's</i> —						ex dividend	L. S. d.
1940.....	44,551	3,426	7-5	6	(a) 2/3	7 2 3	
1941.....	37,682	2,289	6-1	6			
1942.....	46,108	3,941	10-5	8			
<i>Lotus</i> —						(b) 27/-	5 18 6
1940.....	149,054	51,224	12-8	9	(c)		
1941.....	221,810	37,652	11-1	10			
1942.....	283,281	27,495	8-1	8			
<i>Stead & Simpson</i> —						(c)	
1940.....	£ 63,622	3,122	1-6	10	(d)		
1941.....	£ 47,904	11,404	5-7	10			
1942.....	£ 54,275	20,273	10-2	10			
<i>William Timpson</i> —						(d)	4 13 4
1940.....	£ 202,002	85,872	29-8	15	(e)		
1941.....	£ 197,895	64,096	25-6	15			
1942.....	£ 195,455	57,363	22-9	15			
<i>L. & J. Weber & Phillips</i> —						(e)	7 8 2
1940.....	19,118	16,924	9-6	8½	(f)		
1941.....	27,200	19,944	11-5	9			
1942.....	£ 21,373	19,973	11-5	10			

* Years to end November. † After all tax except for L. & J. Weber & Phillips and Stead & Simpson shown before tax on dividends. ‡ Shown after EPT for William Timpson and Stead & Simpson, and after all tax except on dividends for L. & J. Weber & Phillips. (a) 2/- shares. (b) £1 ordinary shares. (c) Not quoted. (d) 7% Cum. Pref. £1. (e) 10/- shares.

Dalgely Report

The full accounts of Dalgely for the year to June 30th last show an increase in the disclosed total from £1,162,520 to £1,253,523, a more substantial improvement than could have been deduced from the preliminary statement discussed in *The Economist* of January 30th. The modest decline in equity earnings of some £9,000 to £98,895 is due to the jump in tax liability from £259,967 to £366,203, which more than eliminated the rise in profits, and to the increase of some £9,000 in exchange loss to £131,640. The directors make no reference to the outbreak of the Pacific war, which must presumably have been the most important influence restraining the rise in earnings. Crop conditions were generally better than in recent years, being satisfactory for most of the period throughout Australia, and in East Africa exceptionally good, although poor in New Zealand. In the current season, the concern will benefit from a 15 per cent increase in the British Government price for wool. It is, however, estimated that both the wheat and barley crops will be lower. This contraction is suggested by the balance decline of nearly £700,000 to £5,102,120 in the total of advances on land, stations, stock, etc. There is a corresponding rise in cash holdings, from £1,165,245 to £1,869,642, while Government securities are up from £212,614 to £278,044. Debtors and creditors are also higher, although the rise in the latter is probably due in the main to the inclusion of tax reserve. The current year is, of course, the first in which the impact of the military disturbances in the Pacific will be felt for the whole period, and it is possible that there may be a further reduction in dividend below the 6 per cent paid for 1941-42. The £20 ordinary shares (£5 paid) at 105s. ex dividend yield £5 14s. 3d. per cent less tax at 6s.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash

ALTHOUGH business in the markets has suffered a further small contraction, the undertone throughout practically all sections remains firm, small gains for selected issues generally exceeding losses. Present indications favour a period of minor activity with a tendency for prices to react. Meanwhile, the gilt-edged market remains quietly firm, gains for several irredeemable and long-dated stocks at the reopening probably reflecting the initial investment of some of the South African vesting moneys shortly to be disbursed. In the foreign bond market, Chinese issues were marked down 2 points and more, while Japanese bonds, too, tended to lower levels. Among South American stocks, Chilean bonds weakened as interest declined, and several Brazilian loans suffered small losses. The recent interest displayed in rail stocks was absent from the home rail market at the reopening, quotations in consequence declining. Actual losses were insignificant and restricted to the junior and marginal preference stocks. Several Argentine junior rail stocks fluctuated narrowly in the foreign rail market, where the largest movement was a loss of 1½ points for the United of Havana 1906 debenture. Elsewhere, Canadian Pacific ordinary lost ½.

Selective buying provided several features in the industrial market, but prices generally fluctuated within narrow limits. Brewery shares enjoyed several scattered improvements, while tobacco issues were quietly firm on the recent results. A majority of motor and aircraft shares enjoyed small gains. Leyland, De Havilland and Rover, with advances ranging from 6d. to 1s. 3d., overshadowed smaller losses for other issues. Interest in the heavy industrial group was not quite as marked as of late, but among shares to advance, Bolsover, Dorman Long and South Durham were prominent. Losses of a few pence, however, were scattered throughout the group. Shipping shares turned dull in midweek, P. and O. deferred losing 9d. with smaller losses for Furness Withy, Union Castle and

others. Textile shares fluctuated erratically, although net changes were generally slight. Lister and Co. was an exception, rising 1s. 10d. on the higher dividend, but Courtaulds failed to hold the larger part of an earlier advance. Stores shares remained steady to firm, most movements being restricted to few pence. Small advances were scattered throughout the miscellaneous section. Wall Paper deferred, James Finlay and Turner & Newall all enjoying useful gains. Elsewhere, Brazilian Traction and International Nickel suffered a reaction after last week's sharp advance, falling ½ and ½ respectively.

Cape buying, in a market short of stock, occasioned widespread advances among *kaffir* issues. Main demand centred on Far West Rand shares, Blyvoors rising 1s. 9d. and West Wit Areas ½, among several other improvements, ranging from ½ to 1s. Chubwa and East Assam were prominent among several shares to advance in a slightly irregular tea market, but rubber shares were devoid of interest. Oil shares were neglected, prices weakening slightly. In particular, Burmah lost ½ and both Anglo-Iranian and Shell eased ½.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Jan. 28.....	4,857	2,838	97-1 136-6
" 29.....	5,177	2,797	97-2 136-6
Feb. 1.....	6,631	3,913	97-1 136-6
" 2.....	5,255	2,667	97-0 136-0
" 3.....	4,908	2,720	97-2 136-6

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1942: highest, 93-7 (Dec. 31); 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 investment buying, occasioned by the war news and partly as an inflation hedge, continued to raise quotations on Wall Street during the past week. Turnover was considerable, daily dealings' totals on several occasions exceeding a million, and profit-taking, on the belief that some technical correction was due, was easily absorbed. Nevertheless, many leading issues failed to participate in the rise.

STANDARD STATISTICS INDICES
(1935-36=100)

WEEKLY AVERAGES

	1943		Jan. 13, 1943	Jan. 20, 1943	Jan. 27, 1943
	Low	High			
347 Industrials.....	81-1	84-5	81-4	82-2	84-4
32 Rails.....	72-6	74-9	72-9	74-5	74-4
40 Utilities.....	67-9	70-8	69-5	69-0	70-1
419 Stocks.....	78-5	81-8	79-0	79-6	81-4
Av. yield %.....	5-36	5-15	5-34	5-30	5-31

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCK

	Jan. 21	Jan. 22	Jan. 23	Jan. 25	Jan. 26	Jan. 27
102-7	102-5	102-9	104-0	104-5	104-1	

1943: High, 104-5, Jan. 26; Low, 99-6, Jan. 2.

Total share dealings: Jan. 28, 988,000
Jan. 29, 1,226,000; Jan. 30*, 612,000
Feb. 1, 1,087,000; Feb. 2, 1,053,000
Feb. 3, 835,000.

* Two-hour session only.

Capital Issues

Week ending	Nominal Capital	Conversions	New Mon.
February 6, 1943	2,000,000	2,030,000	380,000
To Shareholders only	2,000,000	2,030,000	380,000
By Permission to Deal	300,000		
Particulars of Government issues appear on page 188.			

Year†
1943..... 111,576,889 107,301,389
1942..... 99,187,482 95,196,888

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1943.....	106,513,789	187,800	Nil
1942.....	106,219,988	187,800	Nil

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Prof.	Ord.
1943.....	106,415,965	382,330	493,094
1942.....	106,099,989	382,330	493,094

† Includes Government issues to Jan. 26, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Finance

GOVERNMENT RETURNS

For the week ended Jan. 30, 1943, total ordinary revenue was £96,121,000, against ordinary expenditure of £143,318,000, and issues to sinking funds of £195,000. Thus, including sinking fund allocations of £9,111,904, the deficit accrued since April 1st is £2,457,972,000, against £2,091,215,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)				
	Estimate, 1942-43	April 1, 1941 to Jan. 31, 1942	April 1, 1942 to Jan. 30, 1943	Week ended Jan. 30, 1943	Week ended Jan. 30, 1942
ORDINARY REVENUE					
Income Tax.....	913,000	510,137	619,024	39,549	46,879
Sur-tax.....	78,000	49,467	44,859	4,550	5,480
Estate, etc.....	90,000	73,501	76,742	1,340	1,647
Duties.....	15,000	10,893	11,600	...	...
Stamps.....	15,000	17,744	23,747	520	500
N.D.C.....	425,000	203,457	282,801	4,340	4,134
E.P.T.....	1,000	467	510	70	10
Other Ind. Rev.....	152,200	865,666	105,928	50,369	58,650
Total Ind. Rev.....	1,522,000	865,666	1,059,283	50,369	58,650
Customs.....	438,295	300,447	375,156	2,944	5,883
Excise.....	366,705	274,800	357,400	21,500	25,600
Total Customs & Excise.....	805,000	575,247	732,556	24,444	31,483
Motor Duties.....	34,000	35,836	26,339	1,962	1,737
Canadian Govt. Contribution.....	225,000	...	224,719	...	...
P.O. (Net Receipts).....	10,000	11,000	11,600	Dr. 400	200
Wireless Licences.....	4,300	...	3,830	...	740
Crown Lands.....	800	830	870	120	150
Receipts from Sundry Loans.....	5,000	3,009	3,225	...	282
Miscell. Receipts.....	21,000	69,491	81,849	3,750	2,880
Total Ord. Rev.....	2,627,100	1,561,079	2,144,271	80,245	96,121
SELF-BALANCING P.O. & Brdcastg.....	102,523	85,200	86,400	3,800	2,600
Total.....	2,729,623	1,646,279	2,230,671	84,045	98,721

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)				
	Estimate, 1942-43	April 1, 1941 to Jan. 31, 1942	April 1, 1942 to Jan. 30, 1943	Week ended Jan. 30, 1943	Week ended Jan. 30, 1942
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	223,303	264,268	...	...
Payments to N. Ireland.....	9,500	6,443	6,403	...	559
Other Cons. Fund Services.....	7,800	7,402	7,071	248	7
Total.....	342,300	237,149	277,742	248	566
Supply Services.....	535,320	366,163	431,458	101,527	142,751
Total Ord. Exp.....	569,550	389,882	459,233	101,775	143,317
SELF-BALANCING P.O. & Brdcastg.....	102,523	85,200	86,400	3,800	2,600
Total.....	579,827	399,402	467,831	105,575	145,918

After decreasing Exchequer balances by £76,109 to £3,335,486, the other operations for the week (no longer shown separately) raised the gross National Debt by £34,573,167 to £16,508 millions.

NET ISSUES (£ thousands)
P.O. and Telegraph..... 250
NET RECEIPTS (£ thousands)
Defence Loans Act..... 12,963
Overseas Trade Guarantees Act..... 30
Total..... 12,993

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Jan. 29th and Feb. 4th. (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 (25-28) 17-30-40. Sweden. Krona (18-18) 16-85-95; bank notes at Bank of England, 17-40 kr. Argentina. Peso (11-46) 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; mail transfers 99-80-100-30. Panama. Balboas (100-04) mail transfers 4-02-04. Brazil. 85-64 cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate);

MONTH'S CHANGES IN DEBT

NET INCREASE (£ thousands)		NET REPAYMENTS (£ thousands)	
Nat. Sav. Certs.....	23,750	Treasury Bills.....	42,121
3% Def. Bonds.....	12,127		
2½% Nat. War Bds.....	34,150		
1951-53.....	44,960		
3% Savings Bonds.....	743		
1960-70.....	26,360		
Other Debt.....	14,000		
Ways and Means.....	23,919		
Treasury Deposits.....	180,009		42,121
Tax Res. Certs.....			

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1942						
Jan. 31	945-0	1584-0	191-0	9-2	764-5	3493-7
Oct. 31	1000-0	1730-5	225-7	5-2	833-0	3794-4
Nov. 7	1010-0	Not available				
" 14	1020-0	"				
" 21	1030-0	"				
" 28	1040-0	1705-5	287-1	11-0	888-5	3932-2
Dec. 5	1045-0	Not available				
" 12	1045-0	"				
" 19	1045-0	"				
" 26	1045-0	"				
" 31	2,833-2	161-6	67-7	966-5	4029-0	
1943						
Jan. 9	1045-0	Not available				
" 16	1040-0	"				
" 23	1030-0	"				
" 30	1020-0	1770-8	231-7	24-0	980-5	4027-0

TREASURY BILLS

(£ millions)					
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1942					
Jan. 30	60-0	144-6	60-0	19 11-91	20
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	30
" 27	80-0	169-0	80-0	20 1-44	33
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
" 24	75-0	144-8	75-0	20 1-25	29
" 31	75-0	143-5	75-0	20 2-05	41
1943					
Jan. 8	75-0	133-9	75-0	20 2-11	46
" 15	75-0	140-0	75-0	20 1-56	36
" 22	75-0	148-2	75-0	20 1-66	33
" 29	75-0	161-0	75-0	19 11-57	28

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5190

REGISTERED AS
A NEWSPAPER

FEBRUARY 13, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

The Wheel Turns - - -	197	The Quality of Mercy - - -	201
Reconstruction Priorities -	198	Russia Rejoices - - -	212
Catering Conflict - - -	200	Postwar Shipping - - -	213

NOTES OF THE WEEK - - -	202	FINANCE AND BANKING - - -	214
-------------------------	-----	---------------------------	-----

The German Retreat; Three Days and After; Re-shuffle in Italy; Towards Unity; Aid from Canada; War in the Air?; Service Overseas; Peace Aims; The Upper House; The Colonial Service; *Reculer pour mieux Sauter*?; Young Workers; Of Usury; The Just Price; Shorter Notes.

AMERICAN SURVEY - - - 207

United States Steel; Man-power Manoeuvres; Civil Aviation; If the Shoe Pinches; Shorter Note.

THE WORLD OVERSEAS - - - 209

No Change in Newfoundland; Eire's Majority; Canada's Minerals; Russia at War.

Tax Transfers; Fall in Bank Investments; Expenditure in Canada.	215
---	-----

INVESTMENT - - - 215

Coming Railway Payments; No Canadian Pacific Dividend; Richard Thomas Developments; Gas Dividends Resumed; Woolworth Accounts; English Electric Profits; Thomas Tilling Record Profits; the Linen Thread Progress; Steady Investment Trusts; Earnings.

INDUSTRY AND TRADE - - - 216

Coal Supplies; Industrial Research; Against Fire Losses; Industrial Caterers; Newsprint; Farm Workers' Conditions; Electricity; Potash Supply Changes.

COMPANY MEETINGS - - - 217

RECORDS AND STATISTICS - - - 218

The Wheel Turns

IT is small wonder that the chief feature of Nazi propaganda is the note of fatalism. For the second time in a generation the Germans have fought their way through triumphs to disaster. For the second time, the wheel is turning full circle against them. For the second time, after successes that laid prone a continent and shook the whole world, they are reeling back to where they started from. Mr Churchill's journey, from Casablanca to Ankara and back via Cyprus, Cairo, Tripoli and Algiers, is symbolical of a new phase. Germany is being beaten by Soviet Russia, and the need of the hour is for Britain and the United States to bring the full weight of their immense strength to bear against the enemy while the Russian advance proceeds. Until last autumn, the biggest pitfall for the Allies was over-optimism and complacency. Now, although the enemy is still powerful and vicious, the danger is over-caution and too high an insurance against the risks which are inseparable from war. The price of victory will be high; but it will not grow less by waiting.

The military possibilities of what is happening on the Russian front are immense, even in the soberest view. The Russians have still much ground to regain; but their pace of advance is not slackening. The Germans may well find themselves, after two years of fighting, back

where they began with something like half their effectiveness gone, with their stocks of material gravely wasted away and with no chance of staging a recovery against the steadily gathering armour of the Allies. Moreover, something is happening already within the German ranks. As yet, it does not seem to be a crisis of morale; nor has a crisis of leadership yet appeared. It rather seems to be a crisis of leadership—perhaps the most menacing crisis of all in a totalitarian regime. Whatever may be the truth of health of Hitler, one thing seems sure. He has given the German people no direct personal guidance or inspiration at all during their greatest trial. And the estimates made by Hitler's allies and satellites of Germany's plight are plainly taking shape; each in its own way, they are moving towards the exit, seeking re-insurance against Axis collapse.

Caught by their own ambitions in the inexorable repetition of what befell Imperial Germany, the Nazis themselves seem to see only one way out. They can fight to the last; but they cannot shoot their way out. They are relying again, for the last and most crucial time, upon dividing their foes by politics. Both at home and abroad, their plea is the same. Germany is sacrificing itself to save the world from Bolshevist domination; and

PROVINCIAL BANK CLEARINGS (£ thousands)

	Week Ended		Aggregate from Jan. 1 to	
	Jan. 31, 1942	Jan. 30, 1943	Jan. 31, 1942	Jan. 30, 1943
Working days:	6	6	26	25
Birmingham	2,516	2,597	13,670	13,627
Bradford	2,955	3,130	19,274	19,577
Bristol	2,391	783	9,795	5,320
Hull	1,004	997	5,927	5,754
Leeds	1,818	2,161	6,538	6,253
Leicester	841	885	4,277	4,319
Liverpool	4,417	4,486	20,539	19,343
Manchester	13,330	13,445	57,608	58,554
Newcastle	2,951	2,941	7,395	6,978
Nottingham	483	636	2,452	2,845
Sheffield	711	964	5,305	5,347
Southampton	200	182	497	742
12 Towns	32,697	32,127	142,185	135,639
Dublin*	6,425	7,262	30,708	32,274

* Jan. 24, 1942, and Jan. 23, 1943.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE Million \$'s

	Jan. 29, 1942	Jan. 14, 1943	Jan. 21, 1943	Jan. 28, 1943
12 U.S.F.R. BANKS	29	14	21	28
Resources	29	14	21	28
Gold certifs. on hand and due from Treasury	20,522	20,510	20,498	20,493
Total reserves	20,906	20,016	20,959	20,952
Total cash reserves	371	404	429	424
Total U.S. Govt. secs.	2,243	5,975	5,818	5,729
Total bills and secs.	2,236	5,995	5,841	5,752
Total resources	24,775	28,541	28,449	28,206
LIABILITIES				
F.R. notes in circ.	8,230	12,109	12,118	12,157
Excess m. bank res.	3,480	2,150	2,000	2,090
Mr. bank res. dep.	15,075	13,279	13,156	13,278
Govt. deposits	302	329	374	122
Total deposits	14,756	14,916	14,841	14,581
Total liabilities	24,275	28,541	28,449	28,206
Reserve ratio	90.9%	77.5%	77.7%	78.4%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,744	22,712	22,703	22,692
Treasury & bank currency	3,256	3,697	3,747	3,793
LIABILITIES				
Money in circulation	11,097	15,322	15,354	15,438
Treasury cash and dep.	2,498	2,519	2,570	2,321

SOUTH AFRICAN RESERVE BANK Million £'s

	Dec. 1941	Nov. 20, 1942	Nov. 27, 1942	Dec. 4, 1942
ASSETS				
Gold coin and bullion	45.75	73.14	74.04	74.76
Bills discounted	0.33	0.78	1.00	1.61
Invest. and other assets	59.40	67.41	69.93	69.72
LIABILITIES				
Notes in circulation	27.57	34.93	37.07	37.67
Deposits: Government	18.88	4.72	3.96	3.88
Bankers'	46.69	90.08	90.53	92.87
Others	8.03	7.49	7.79	6.91
Reserve ratio	45.4%	53.6%	53.0%	53.0%

CENTRAL BANK OF TURKEY Million Turkish pounds

	Oct. 21, 1941	Aug. 8, 1942	Aug. 22, 1942	Oct. 24, 1942
ASSETS				
Gold	113.9	138.6	138.6	139.4
Clearing and other exch.	47.7	54.3	54.2	54.1
Treasury loans	137.0	134.5	134.5	134.4
Commercial bills	282.8	335.9	332.4	396.7
Securities	53.6	55.3	55.3	55.5
Advances	173.3	258.0	258.0	257.8
LIABILITIES				
Notes in circulation	509.5	607.5	609.5	679.0
Deposits	152.4	197.5	188.1	185.0
Clearing and other exch.	28.4	28.7	24.6	26.4

COMMODITY AND INDUSTRY NEWS

Temperature Measurement (B.S.1041).—The British Standards Institution has published a comprehensive code for temperature measurement which is the first of its kind published in any country; it has involved several years of investigation by a strong committee of scientists, instrument makers and engineers. The code covers the whole range of industrial thermometry starting with the International Temperature Scale, based mainly on the work of the National Physical Laboratory, and going through mercury thermometers, thermocouples, resistance thermometers and radiation pyrometers of all kinds. A very valuable section deals with the sources of error, and there are also several sections covering special problems of thermometry such as the measurement of the temperature of glasses and liquids and the surfaces and interiors of solids. The code is stated to be of a provisional character issued for war purposes, and it will be subject to revision. It has been in use in a number of laboratories and works for some time past on an experimental basis.

Toys and Cutlery.—The quotas for toys and indoor games and for cutlery have been fixed for the six months from February 1st to July 31st. The quota for toys and indoor games is 7½ per cent of the value of supplies during the standard period. In the case of cutlery the quota is 10 per cent, with special provision for razors and razor blades, under which only a proportion of their value count towards the quota. The standard period in both cases is the twelve months ending May 31, 1940.

Canned Vegetables.—The Ministry of Food announces that, in view of the ample supply of fresh green vegetables, the Order prohibiting the sale by retail of canned vegetables which it had proposed to revoke on February 7th will remain in force until further notice. This means that the public will not be able to buy canned vegetables for the time being. The quantity of canned vegetables, when released, will be considerably less than that available a year ago.

Auction and Tender Sales.—The Board of Trade, after consultation with the Central Price Regulation Committee, have made the Sales by Auction and Tender (Control) Order (S.R. and O. 1943, No. 58) replacing the Sales by Auction (Control) Order (S.R. and O. 816) made in May, 1942. The new Order comes into force on March 15th and in addition to bringing sales by tender under control, cancels the general licence granted by the chairman of the Central Price Regulation Committee to three associations of auctioneers enabling their members to hold auctions under certain conditions and instead requires application to be made to the Local Price Regulation Committee for a special licence for auctioning certain price-controlled goods. Previously any person selling their property by auction had to declare before a Justice of the Peace or a Commissioner for Oaths

that the goods being auctioned were their own personal property. Under the new Order a similar declaration is required, but is made on a simply worded form and does not have to be declared before a Justice of the Peace or a Commissioner for Oaths. In future all traders wishing to sell goods by tender must apply for a licence to the Local Price Regulation Committee.

Laundry Services.—The Board of Trade's Central Advisory Committee on Laundry Services met on January 26th to consider the means to be employed for the laundry industry to contribute its quota to the general release of workers from less essential industries to direct war work. The plan adopted entails, at any rate as a first step, a review of the labour position on a regional basis, and from the results of these regional investigations the Directorate of Laundry Services will obtain information on which to base their plan for the imposition of such restrictions on civilian laundry as may be found necessary. The Regional Controllers of Factory and Storage Premises, who are also Regional Directors of Laundry Services, have been appointed Regional Directors of Dyeing and Cleaning Services.

Flower Growers.—In order to assist the smaller flower growers to meet the expense of converting their land to food production, the Government have decided, as a special measure, in view of the exceptional conditions, to make a payment at the rate of £20 an acre in respect of land freed from flower crops (including flower bulbs) since June 4, 1942, and subsequently planted to a food crop. The payment will be made only in respect of holdings where there were not more than 10 acres under flowers prior to the war and on which the growing of flowers for sale comprised the major part of the business of the holding.

INDICES OF WHOLESALE TRADE IN TEXTILES IN GREAT BRITAIN*

(1937=100)

	Stocks (end Year & Month)	Home Trade	Total	% Change from a Year Ago
			Index	
1937	100	100	100	+ 1.0
1938	94	94	93	- 7.0
1939	86	105	103	+10.7
1940	93	118	116	+12.6
1941	83	98	99	-14.7
1942	95	104	...	...
1941, Nov.	81	109	110	+24.4
" Dec.	93	67	70	- 7.9
1942, Nov.	80	121	117	+ 6.4
" Dec.	95	67	66	- 5.7

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is not included; figures are therefore comparable throughout.

Source: Board of Trade Journal.

* Publication of Indices of Export Sales suspended in Sept., 1942.

RETAIL FOOD PRICES.

	Average price per lb. at			Per cent. in- crease since Sept. 1, 1939
	Sept. 1, 1939	Dec. 1, 1942	Jan. 1, 1943	
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	35
Thin Flank	0 4½	0 6	0 6	22
Mutton, British--				
Legs	1 3½	1 5½	1 5½	18
Breast	0 7½	0 8	0 8	8
Mutton, frozen--				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	50
Bacon	1 3	1 10½	1 10½	32
Flour (per 7 lb.)	1 1½	1 5	1 5	26
Bread (per 4 lb.)	0 8½	0 9	0 9	7
Tea	2 4	2 6	2 6	8
Sugar (grau.)	0 3	0 3	0 3	-1
Milk (per qt.)	0 6½	0 9	0 9	33
Butter { fresh	1 4½	1 8	1 8	21
{ salt	1 3½	1 1	1 1	30
Cheese	0 10	1 1	1 1	19
Margarine, special	0 6½	0 9	0 9	35
Standard	0 6½	0 5	0 5	19
Eggs, fresh (each)	0 12	0 12	0 12	1
" (2)	0 2	0 2	0 2	2
Potatoes (per 7 lb.)	0 6½	0 6½	0 6½	6
Index all foods weighted (July 1914-100)	138	164	164	19

Source: Ministry of Labour Gazette.

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

	Mar. 31, 1937*	Aug. 30, 1939	Jan. 20, 1942	Jan. 12, 1943	Jan. 26, 1943
Cereals and Meat	93.0	66.9	105.9	108.4	108.9
Other Foods	70.4	61.1	99.1	105.3	105.3
Textiles	74.2	54.3	94.3	93.9	94.6
Minerals	113.2	95.4	130.7	135.9	135.9
Miscellaneous	87.0	77.6	114.8	124.1	124.1
Complete Index	87.2	70.3	108.8	113.2	113.8
1913=100	119.9	96.8	149.7	155.8	156.8

* Highest level reached during 1932-37 recovery.

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

	Jan. 28, 1943	Jan. 29, 1943	Feb. 1, 1943	Feb. 2, 1943	Feb. 3, 1943
Crops	119.4	119.4	119.4	119.6	119.6
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	143.8	143.8	143.8	143.7	143.7
	Mar. 31, 1937*	Aug. 31, 1939	Feb. 3, 1942	Jan. 4, 1943	Jan. 27, 1943
Crops	147.9	92.2	116.6	119.6	119.5
Raw materials	207.3	122.9	172.7	172.7	172.7
Complete Index	176.1	106.4	141.9	143.7	143.7

* Highest level reached during 1932-37 recovery.

even so, the terror from the East may be too strong—a warning as well as an admission. It is the old tactic which split all opposition in the past. But this time it is a losing game. Whatever the fears of this or that clique, it is plain to the people and leaders of both Britain and the United States that Russia's victory will be their own victory, too.

It is still folly to paint the future in rosy hues. The biggest and the most costly battles are still ahead. The U-boat attacks may reach a perilous peak in the spring. In Tunisia, as Mr Churchill has publicly stated, the struggle will be hard and bitter. But Germany is definitely losing the war. While the German retreat all along the Russian front continues, while Germans are slain or captured daily in their tens of thousands, while mastery of the air comes more and more into Allied hands, the fact that Germany is being hastened towards total defeat is unmistakable. There is only one question for Britain and the United States. What can be done to transform the blows struck by Russia into the *coup de grâce*? For many long and weary months, the problem was to mobilise for war, to muster men and marshal materials, to work out and to apply a common long term plan. Now, it is the short term that counts. The hour for action struck last November, when the landings in Africa followed the victory of Egypt—and the surging turn of the tide came in Russia. The time was due for a great acceleration, for a One-Year Plan to win the war in Europe at speed. Now, nearly four months later, when the mounting successes of the Russians have opened still new and even startling vistas, the tempo is still too slow. Too much of British and American strength is still beating the air. Aid to Russia, even at its agreed maximum, is not large in comparison with the masses of material on the eastern front. The bombing of Germany, for all the effort gathered in recent weeks, is a long-term plan; offensive in Africa has become long-term too. It is a Nine-Months Plan for victory that is needed.

Reconstruction Priorities

One main contention of the critics of the Beveridge plan is that "We cannot afford it." What does this mean? How far is it true? Broadly, the answer is that it is a matter of choice. We can afford it if we want to do it.

In money terms, the plan proposes extra burdens (over and above the present cost of the social services which it is designed to rationalise and extend) upon three groups—the taxpayers and the two partners in industry, employers and workpeople. In 1945, according to the tentative figures used by Sir William Beveridge to measure the effects of his proposals, an extra £86 millions will have to be paid from the national exchequer and local rates, an extra £125 millions by insured persons and an extra £54 millions by employers. It is doubtful whether these figures could be reduced. They have been worked out to supply benefits which will give a bare living, and they assume a rise of only 25 per cent over 1938 prices.

The increased contribution of public authorities is due entirely to the estimated cost of children's allowances (£113 millions). Without this, there would actually be a reduction in the public charge. By 1965, it is true, a further £164 millions a year will have to be found. But that increase, due to old age pensions, will be wholly the consequence of the ageing in Britain's population, and not of the Beveridge plan as such; it is a cost that will have to be incurred, in one form or another, in any case. The immediate question is the increased cost in 1945, or whatever post-war year is taken as the starting point. The extra £86 millions is plainly not a heavy burden. It is about one-ninth of normal pre-war, pre-armament budget expenditure. It is less than 2 per cent of total expenditure in the current wartime financial year. It is less than 1½ per cent of what the national income is likely to be in the post-war period. It is less than 4 per cent of the present total yield of direct and indirect tax-

Perhaps this plan was made at Casablanca; Mr Churchill said on Thursday that it had—to unfold remorselessly during the next nine months. Admittedly it is not possible, even with the greatest military opportunity in history at hand, to prepare and mount great new offensives from zero in a few weeks or even months. But it is possible, and indeed imperative, to speed up, press on, divert and deliver the offensives already planned. Audacity is the twin of speed. A double programme is needed: to assail the enemy in combined operations in Europe—ready to take risks that could not have been contemplated a year or six months ago before the disintegration of German strength had begun; and, at home, to undertake the greatest degree of austerity and effort yet contemplated. Flushed with the success of his missions, the Prime Minister has told the Commons that this country may be able to get on in food and imports in the coming months on pretty much the same lines as hitherto. With more reflection, the organiser of victory may be more grim and less gay, for now is surely the time for short-term measures: for living on capital as never before to save ships and labour and material; for making up a genuinely Spartan victory diet from food stocks and meat on the hoof; and for screwing up urgent output by the same emergency means that were adopted in the days of danger after Dunkirk.

All these decisions may have been made. All that the ordinary man can see, and say, is that they must be made—and made for to-morrow, not the day after. This is no time to plan thousand bomber raids in 1944 or anti-U-boat campaigns six or twelve months hence. This is no time to talk of an American army of 7½ millions to fight in 1945 or 1946. The day of the long-term defensive has gone. The short term of victorious attack has arrived. The wheel has turned once more against the enemy, and the chance must not be missed—on pain of betraying all the blood and tears and toil that have gone before.

tion. Plainly it need not compromise the financial position in any appreciable way.

This is not to say that there will be money to burn when peace comes. Post-war defence costs will certainly be much higher than before the war; with standing forces of, say, three-quarters of a million men, they may amount to at least £500 millions. And other commitments, for service of the debt and the existing cost of social services, may bring the total up to £1,300 millions, or about two-thirds more than normal pre-war peace-time expenditure. The present yield of taxation exceeds £2,400 millions. Of this, EPT will presumably be removed as soon as possible after the war, which would reduce tax revenue at present levels (allowing for an increase in the yield of income tax, owing to the disappearance of EPT) to somewhere about £2,000 millions. All these estimates are highly speculative; obviously much depends on the duration of the war. But it seems reasonable to suppose that the difference between the yield of taxation at its present level and commitments already known may be of the order of £600 millions. Out of this, the critics say, all reconstruction expenditure, on education, housing, health and public works, in addition to social security, must come—as well as the margin for the reduction of taxation which must be made. This is true. There is a limit to the charges that can be imposed. But it is surely a disingenuous and primitive notion to suppose that the large expenses of a capital nature involved in reconstruction must necessarily either be carried on the annual budget or financed out of taxation. If the Government is to employ both its power to spend and its power to tax as positive instruments of economic policy, there is need for a capital budget not borne on yearly tax revenue. And Government spending, on defence as well as works, can maintain employment, expand the national income and increase the yield of

taxes. These comparisons with the pre-war position overlook the fact that, at present prices, the national income after the war, provided employment can be maintained, is likely to be at least 40 per cent higher than it was—and capable, as the result of positive policy, efficiency and adaptability, of further expansion. It will be possible, if there is faith and competence, to maintain a much higher budget than in the past with much lower rates of taxation than at present, to meet much higher public commitments and still to leave a high margin of private incomes for private spending. The coat must, indeed, be cut according to the cloth. But, by right means, the cloth can be greatly expanded.

The real point is how much is likely to be needed for all the reconstruction items added together. The burden of the Beveridge supplement will be small. What the total burden of other charges will be is not known. What is needed before a complete picture can be drawn of the post-war financial position is an educational budget, a housing budget, an agricultural budget and a health budget drawn up on the same lines as the social security budget in the Beveridge Report. It is often argued that what we can do in wartime by way of public spending, we can do in peacetime. It is only a partial answer to say that the reason why public expenditure can absorb the greater part of the national income in wartime is that both industrial maintenance and civilian consumption are kept on short commons, while capital is drawn upon. This state of affairs arises chiefly from the fact that what the state spends in wartime is mostly spent on unproductive purposes, on the provision of material and equipment to be destroyed. State expenditure in peacetime on social security, housing, agriculture and investment would be more productive in its consequences; it could be used directly to raise the level both of industrial equipment and civilian consumption. The important points that emerge from the comparison between wartime and peacetime finance, are, first, that, if an abnormally high proportion of the national income is spent on "investment" purposes, current consumption must be correspondingly restricted; and, secondly, that the significant characteristic of wartime finance is a system of priorities by which the nation's resources are distributed in order of need and urgency. We can do in peacetime what we do in wartime provided that a similar system of priorities is imposed, so that resources are allocated first to essential investment and essential consumption; and provided that the means by which the national income is distributed do not act as a deterrent to the efficiency, adaptability and enterprise of economic life, upon which the size of the national income, the total output of goods and services, itself depends. It is probable that, after the war, when the transition period of shortages, dislocation and inflationary dangers has passed, taxation, while considerably lower than during wartime, will be appreciably

higher than it was in the middle thirties; and it will be enormously important that the methods of collecting taxes should be so revised and modified that enterprise is not penalised and both investment and technical progress are encouraged.

More often than not, however, the critics mean, not that the state cannot afford the Beveridge plan, but that industry cannot afford it. This, too, is a doubtful proposition. The addition of £54 millions to the contributions of employers, compared with their payments to the existing schemes, will represent not more than 2 per cent. of their labour costs. The contribution of the other partner in industry, the insured persons, will rise by £125 millions. But it should be remembered, first, that the number of persons insured will be very much increased by the Beveridge plan; and, secondly, that they will receive in return more and better benefits. The increase on contributions which employees make to existing schemes will be 2s. 5d. a week, which is about 2 per cent of the present average wage; and Sir William Beveridge in his Report pointed out that, if the voluntary payments which workers normally make to secure benefits such as burial expenses and extra medical treatment (which are to be granted automatically in the new plan) are added in, the insured worker will pay appreciably less and not more than before—and be better served. There may perhaps be a case for suggesting that the lowest-paid workers who, under the existing system can only make these extra voluntary payments by denying themselves of many necessities, will be hard hit by the extra compulsory 2s. 5d. a week. Indeed, there are a number of arguments for suggesting that the distribution of cost between the state, industry and insured persons might be adjusted; but there is no case at all for saying that the total burden cannot be borne—provided the charges levied for other purposes do not, together with the cost of social security, add up to too onerous a total burden. It is a question of priorities.

Actually, the problem is not a financial one at all. It is a physical one. Can the resources, the goods and services be made available to ensure a national minimum of consumption for every individual and every family whatever may befall them? And the answer is that, if priority is given to this object in the distribution of the real national income, it can be done, provided the measures adopted to achieve it do not, by their effect upon national economic life, reduce the national income available for distribution. There is no reason to suppose from the measures recommended by Sir William Beveridge, or from the sums involved, that these consequences are likely; indeed, the Beveridge plan is more likely to have the contrary effect of helping to maintain the national income at a high level by keeping consumption high through good years and bad.

What we can afford in total, in terms of goods and services, depends on the size of the national income,

£12,500,000 damage to the War Effort last year from ordinary fires.

Half the fires in the country are caused by matches and cigarette ends.

MOST FIRES ARE CAUSED BY "CAREFUL" PEOPLE.

DON'T JUST BE CAREFUL—TAKE EXTRA CARE

Issued as part of the Fire Offices Committee's Campaign against fire wastage.

which itself depends upon what we do with it, upon the way in which it is distributed and used. The prime needs are a rate of investment large enough and regular enough to maintain high employment; the highest possible level of productivity and technical efficiency in manufacture and distribution; and the utmost possible enterprise and adaptability. Manufacturing and export costs can be reduced infinitely more after the war by an increase in efficiency and a decrease in restrictive practices than they can possibly be increased, even in money terms, by the Beveridge and other plans. The fact that British steel before the war cost half as much again as foreign steel is immeasurably more significant than a rise of 2 per cent or so in money costs because of the added social security charge—a rise which in any case will be compensated, to the advantage of Britain's terms of trade with the outside world, by the lower rate of exchange which must in any case be fixed for the pound in the post-war period. If the national income is to be maintained and expanded, trade associations and trade unions must play a positive part in securing this efficiency, in increas-

ing the speed and skill with which resources can be transferred and applied to the purposes which will be most productive in post-war conditions. This will call for an assault upon monopoly and quasi-monopoly; and, equally, for some revision of the craft practices in trade unionism which impede the movement of labour from one occupation to another in accordance with the needs of adjustment.

These are the conditions of "affording" reconstruction plans. If the provision of a physical minimum, by means of the most efficient possible use of resources, is made the foundation of policy, then the task of providing a financial minimum in terms of the Beveridge and other plans is correspondingly easier. The important question at the moment is to know what these other plans will be, what they are estimated to cost and in what order of priority they are regarded by the Government. Then it will be possible to say much more specifically what can be afforded. For the moment, of the Beveridge plan, all that can be said is that its cost can, and should, be met.

Catering Conflict

THE Catering Wages Bill has been given its second reading in the House of Commons. The heated debate and the unexpectedly big opposition vote indicate that the Bill may have a rough passage through its Committee stages. The fact that 116 Members were found to vote against a measure which had unanimous Cabinet backing is a testimony to the energy and persistence of the organisers of the opposition.

Proposals for the regulation of catering wages have always given rise to opposition. In 1924 the Labour Government tried to pass a Bill and again in 1929 Miss Bondfield sought to establish a Trade Board for the industry. On both occasions, the Labour Government fell from power before it could carry its proposals through. In 1930, the General Council of the Trades Union Congress reported

Never have employers fought more strenuously than in the present case.

So many "objections" were raised to the Minister's Draft Special Order that it was decided to appoint a special Commission of Inquiry. Sir Arthur Colefax, who reported in February, 1931, was mainly concerned with legalities, and expressly stated that the expediency of applying the Trade Boards Act to the trade was "a matter solely for the Minister of Labour" to determine.

Mr Bevin's scheme has met with as much opposition as did Miss Bondfield's twelve years ago, though not all branches of the trade are hostile. Some industrial caterers, most local authorities and institutions and some individual employers, such as the Express Dairy Company, are in favour of his Bill. The character and extent of the opposition within the trade itself can best be gauged from the composition of the Liaison Committee which was set up in August, 1942, to conduct the campaign against the Government's plan. It includes representatives of the Hotels and Restaurants Association; Residential Hotels and Trust Houses; the Retail Liquor trade; the Light Refreshments trade; the Eel and Pie traders; the Coffee Stall keepers; and the Milk Bars Association.

Sir Douglas Hacking, the leader of the intransigents, based his attack on political grounds. He argued that the Bill was of a controversial nature and could not be held to relate in any way to the prosecution of the war. Mr Eden backed Mr Bevin in denying this. But the main objections were that it would impose "control for control's sake"—the Bill was called a "monster of bureaucratic autocracy"—since the statutory Commission, whose members would all be "the Minister's own nominees" (an innuendo which appears to be an inexcusable, ungrounded and unprecedented attack on Ministerial integrity and impartiality) would have power to make recommendations not only about wages and conditions, but

also on matters relating to the efficiency of the trade. This is regarded as the "thin end of the wedge." The *Daily Telegraph* has pointed out that there is nothing to prevent Mr Bevin from "casting his eye along a whole row of other industries" and applying similar arbitrary measures wherever he feels disposed. The catering interests have stated that they have no objection in principle to an investigation into the conditions of their employees; but they say that Mr Bevin, by establishing a Commission before he establishes wages regulation machinery, is putting the cart before the horse. It is Mr Bevin, far more than his Bill, that they are hunting.

On the face of it, it is very difficult to see why the Bill should have evoked so much protest—apart from these illegitimate personal reasons. The proposed Commission, after all, is not an executive body; it will only make recommendations to the Minister if it finds the existing arrangements inadequate. If the conditions are satisfactory, well and good. If not, it is as well that there should be legal machinery to bring about improvements. Mr Bevin's speech, like the Bill itself, was extremely reasonable and moderate.

The caterers have denied that there is any need for legislation or regulation. If the employees were dissatisfied, it is argued, they would either walk out or get themselves organised in trade unions; and the catering trade is too diversified and too individualistic to make it desirable or practicable to apply the Trade Boards Act to it. These are their arguments. Admittedly, catering with its different sized units and varying types of service, ranging from the one-man coffee stall or corner café to the multiple tearoom or West End hotel, presents a far from composite picture. There is no geographical unity; an immense diversity of catering units may be found within the same town or even in the same street. The seasonal element bulks very large in catering. Boarding-houses and restaurants in seaside resorts may be faced with a big influx of visitors for two or three months at the height of the summer holidays; they have to increase their staffs to cope with the expanded business, and lay them off during the dead season. Then the variety of components which enter into the workers' total remuneration makes it difficult to arrive at any wage structure for the trade as a whole. Lodging or meals may be found, and it is difficult to assess their cash value; allowances in kind—uniform, laundry, beer—may or may not be provided. Then there is the question of tips. Mr Bevin's hatred of these haphazard *douceurs* is probably shared by many employers and employees. In most establishments a system operates whereby tips are pooled, generally according to a graduated scale, but this may not cover the kitchen staffs.

But these problems should not make it impossible to regulate wages in the various sections of the trade. The retail trade has many different sized units, and the element of personal service bulks large; yet collective agreements have been made for distributive workers. A Wages Board was established in the road haulage industry in 1938—the Act was described by Miss Sells in her book on Trade Boards as "the application of a system of Trade Boards to the special conditions of a large and heterogeneous industry." Dock labour has been casual; the seasonal element is present in agriculture; yet in both these industries wages and conditions have been statutorily regulated.

It has been suggested, unpardonably, that Mr Bevin's object in promoting the Bill is to increase the power of his own union. A representative of the brewery trade has said that "the introduction of the trade union element in relation to the vital services rendered to the public at licensed houses was to be strongly deprecated." Catering workers are probably the least organised section of the working-class, and they are not covered by any trade union agreements. In 1929 the proportion of organised workers was less than 5 per cent; today it may be slightly higher, owing to the development of industrial catering, but it is certainly not more than 10 per cent for the trade as a whole. The chief reasons for the failure of the unions to build up any organisation in the past have been the casual and seasonal nature of employment and the weak bargaining power of catering employees, their fear of victimisation, and the large amount of foreign and refugee labour employed. But it is not at all certain that the mere establishment of a Wages Board would result in increased union membership. Some years ago the TUC appointed a committee to investigate the working of the Trade Boards Acts, and out of 22 unions giving evidence, half reported that the establishment of a Board in their industry had either resulted in a loss of membership or proved an obstacle to organisation. On the other hand, there was unanimous agreement that the Trade Boards had been instrumental in maintaining wage rates and improving the conditions of labour. On this evidence, the unions cannot be accused of acting from purely organisational motives in supporting the Bill.

It is regrettable that there is so little up-to-date information available about the catering trade—a fact which Mr Bevin has admitted in the House of Commons. The latest detailed investigation was that initiated by Miss Bondfield. This enquiry revealed a tremendous divergence of standards in different branches of the trade and different categories of employees; but it did show that some workers in some branches were definitely underpaid and overworked. Though Sir Arthur Colefax reported that there was no evidence of the "prevalence" of bad con-

ditions, the Minister of Labour took the view that it was not necessary to show that *all* waitresses and kitchen-hands were badly paid, but that *some* were, in order to justify the establishment of wages machinery. It may be argued that the 1929 enquiry is scarcely relevant to the present issue, since it was undertaken at a time of growing economic depression and mounting unemployment. Conditions have undoubtedly improved in general since that date, but there is evidence that at busy times employees in hotels and restaurants were working long hours with little or no breaks, hurried meals and inadequate rest-rooms; and living conditions were frequently said to be unhealthy, in badly ventilated attics or basements. And there is no system of inspection to enforce decent standards. Since the war, of course, the bargaining power of the workers has increased immeasurably and has forced up the general level of wages. Immediately before the war, barmen in London public houses were earning about 25s. to 35s. a week, excluding board and lodging, for about a 60-hour week. With the present shortage of labour they can now earn between £3 5s. and £4. Waiting and kitchen staffs in the larger hotels have secured considerable increases on their pre-war earnings. Voluntary agreements regulating wages and hours have been made in certain sections of the trade and cover canteen staffs in industrial establishments, British restaurants and hostels.

But the fact that catering workers have been able to secure advances in wartime does not remove the necessity for regulating the level of wages in the future. The Minister of Labour is thinking in terms of a great expansion of the catering trades, which he believes may employ a million or more workers. It is hoped that the development of civil aviation will bring tourists to Britain. If a stable level of employment and higher standard of social security are aimed at, and holidays with pay become general, it may be assumed that the business of providing accommodation, food and drink will become increasingly important. About 100,000 cooks are now being trained in the army and for them, as well as for the many catering workers who have been mobilised, it is desirable to guarantee a return to secure wages and decent conditions. The principle of a national minimum is now becoming generally accepted and to have one section of industry standing out for unregulated, individual wages bargains, which may or may not be consistent with that minimum, would undermine all attempts to establish a national wages foundation. Collective bargaining is by far the best means of determining labour's terms of employment, and if it is not backed by legally enforceable contracts, the whole structure will be full of gaps and loopholes. It should surely not be necessary in 1943 to fight over again the 1909 battle for the establishment of a minimum wage principle.

The Quality of Mercy

THE amount of misery caused by this war is beyond the limits of imagination. Even if people wished to see it clearly, they could not do so. And they do not wish to because pity which cannot lead to action is quite unbearable. There is, however, this consolation, that the only way to end the suffering is to win the war, and the effort for victory is thus, without hypocrisy, the most genuine effort of compassion and relief.

Yet from time to time the horror rises to some extreme pitch, and no amount of insistence on working for victory can really satisfy the pity in men. Two such cases are before the British people now. They represent the ultimate pitch of barbarity, one passive, one active. In Belgium—and in other occupied but less accessible countries—the Germans' policy of letting all but the active adult working population starve has resulted in famine. The death rate among mothers and infants is mounting steadily. The children who survive are stunted and maimed. The tuberculosis rate is 60 per cent higher than in 1940. In scientific terms, children who need 2,725 calories a day are getting 886. The danger facing the

European nations is quite simply that, when relief comes, it will come too late for this lost generation.

The other case is more horrible, so horrible that only the most certain evidence has compelled the belief that such callous atrocities are possible. The Nazis are making good Hitler's promise to exterminate the Jews. Since July last the ghettos in Poland have been emptied, and Jews have been deported from enemy-occupied country to the east. The journey of these unhappy men, women and children is designed to guarantee that few of them survive. They are packed in cattle-trucks so closely that the dead have no room to fall to the stinking lime-strewn floor. At their destination the slaughter camps await, where all—young and old, mothers and children, the sick, the infirm—all, in a word, whose strength cannot be exploited for the German war effort, are massacred by mass methods of destruction. Of the six million Jews of Europe, over two millions are gone already. Thousands more are being herded across Europe to their death. The mind falters before such horrors. It is not enough to win the war in six months, in a year, in two years. Can

nothing be done now, before the slaughter has wiped out the last remaining Jew?

These are the two cases which confront the conscience of the British Government and of the British people. What can be done? Winning the war remains the overriding aim, and where there is contradiction between the waging of effective warfare and the relief of Hitler's victims, relief must give way. In the war strategy of 1943, there are two extremely vulnerable points: shipping and supplies. Shipping losses alone can still cripple the great offensive of the Western Powers. Food shortages are spreading round the world and in many areas for which the Allies are already responsible there is danger of famine. Yet without sustenance and transport nothing can be done on a big scale to help the children or the Jews. The truth—the unhappy truth—is that there can be no effort commensurate with the degree of pity and anger aroused in this country. There can be no mass feeding of Europe's starving masses. Millions of Jews cannot be evacuated.

There comes a point at which a flow of rhetoric gives an impression of activity at home and hypocrisy abroad. Fortunately, there are some steps which, without interfering with the effectiveness of the war effort, can be taken. It is on these that public opinion must be focused in order to speed governmental action. In the case of the children, the existence of neutral Swedish shipping, and the readiness of the Swedes to devote this shipping to the transportation of vitamins and powdered milk to Belgium, meet the shipping difficulty—to some extent. These ships are not being diverted from the Allied war effort, and the amount of food proposed—it might be more nearly described as medicine—2,000 tons a month, is negligible. Moreover, the Belgian Government would finance the operation. Apparently, it waits only on the issue of navicerts. The argument against such action—that it is the thin end of the wedge of feeding all Europe—is perfectly sound. It has been stated by *The Economist*. But it does not take into account the limiting factor of Swedish shipping. No Allied ships can be diverted from the war effort. That is axiomatic. Even if the British people and the Allied armies reduced their ration, as they very well could, the shipping saved would of necessity be devoted to the battlefronts. Thus, when all the shipping that Sweden—or any other neutral country—can devote to relief is under commission, the limit of assistance has been reached.

The problem of removing Europe's Jews from the reach of their assassins is again a transport problem. There can be no mass exodus, but the sincerity of the British Government's intentions will be tested by the speed, vigour and generosity with which it deals with the trickle who can escape. It is good news that after negotiations through the Protecting Power with the Bulgarian Government, and directly with the Turkish and Iraq authorities, the Palestine Government are admitting 4,000 Jewish children, accompanied by 500 adults, from Bulgaria, 270 children and later 500 children, from Roumania and Hungary. As transport becomes

available, the immigration quota up to March, 1944, which amounts to some 29,000 visas, is to be filled, mainly by children. This is something, and the House of Commons received the assurance that the Government is not limiting its attempts to Palestine only. Over 100,000 refugees of all nationalities have already been admitted into Britain, the Middle East and East Africa. Yet clearly this is not enough. Planned emigration, thousands at a time, is possible only round the Eastern Mediterranean, where there is a land bridge out of Europe. But what of the individual Jews and the small groups who succeed in escaping elsewhere?

One of the proudest achievements of political freedom was the right of asylum. It was a commonplace a century ago that the politically persecuted, if they escaped, had the right to shelter and protection. That right has gone, even in the free world. Those who escape today have no guarantee of assistance, no certainty of visas, in some cases no guarantee even that they will not be returned in ignominy to their persecutors. Here the United States and Britain share a heavy responsibility. They have not been over generous. By insisting on financial guarantees, they have rescued the wealthy or the canny, rather than the hardworking. By complicating the procedures, they have tended to exclude the straightforward citizen and received the wire-puller. Now, so late in the day, the time has come to say that any Jew, who escapes to any neutral country, will be received in Britain or America. Arrangements could be made with the neutral Governments for the temporary maintenance of the refugees. Lisbon could be made a port of call for ships possibly returning with some shipping space from North Africa. It is not enough to divert the trouble away to the East. The Western world must be prepared to restore the right of asylum where necessary at its own immediate expense. It might even be possible to ask the German Government through the Protecting Power or the Vatican to permit a specified number of Jews, especially children, to make their way to the Spanish frontier and arrange with the Spanish and Portuguese authorities for transit, maintenance and their ultimate despatch from Lisbon to Britain or America. The number must be limited by shipping and supplies, but if only fifty, a hundred, two hundred, people were rescued in this way, so many human souls would have been saved from anguish and so many bodies from torture and death.

The only thing which would be absolutely inexcusable in this terrible dilemma of relief would be to use the exigencies of war as an excuse to avoid any kind of assistance compatible with the waging of a successful war. No one denies that the dilemma exists and that the shipping and food shortages are limiting factors. All the more reason then to pursue the policies which are practicable with all the vigour and compassion the working of a larger scheme would have required. The quantity of Britain's mercy at this time is cruelly constrained. Its quality need have no limits.

NOTES OF THE WEEK

The German Retreat

With the capture of Kursk and Byelgorod by the Russians, the campaign has entered a new and decisive stage. The battle of the Ukraine is now in full swing, while the fighting in the Caucasus and around Rostov is nearing its finale. The terrain into which the Russian armies are now infiltrating has been held by the Germans since the end of 1941. It was supposed to have been formidably fortified and made impregnable. Yet the speed with which Kursk and Byelgorod were taken suggests that some grave deterioration has taken place on the German side. The approaches to Kursk were only slightly defended. The reason for this must have been a growing shortage of operational reserves, which are needed on too many sectors of the front at the same time. From the detailed reports of the fighting, it may also be that the

German armies are more and more handicapped by inadequate armament—whereas the Russians have thrown in very massive reserves of arms and munitions. It is, of course, possible that Kursk was deliberately evacuated and given up by the Germans, and that only the garrison was left to fight a rearguard action. If so, then the strategical conduct of the campaign shows a picture of utter inconsistency and confusion. If the German Command decided upon a general withdrawal in order to shorten the line, and fall back to a more defensible front, they ought first to have withdrawn in the extreme south, from the dangerous pocket between Dnepropetrovsk and Rostov. Kursk was hardly a place from which a withdrawal had become strategically desirable. The fighting for Rostov and for the Donetz drags on, although the German position there is obviously untenable. In fact, the German retreat has so far been carried out according to no coherent plan.

The pace and the direction of the retreat have been dictated by the strength and speed of the Russian thrusts. The initiative is firmly in Russian hands all along the front, and alternating pockets and bulges leave the Germans little chance of easy extrication or planned withdrawal.

Three Days and After

Legends and superstitions play a central part in Nazi propaganda. From the outset, the myth of racial superiority was translated into the barbaric fact of anti-Jewish persecution; and all the earlier victories of German arms were put down to German invincibility. Thus, it was not possible to explain the disaster at Stalingrad to the German people in rational terms. The only way out was to create a new legend. The destroyed 6th Army became in this handling a Victorious Army. On the second day of last week's mourning, the German people were given a graphic account of the 6th Army's triumphant progress since 1939; and on the third day, there was a great parade of Germany's mighty achievements in industry, science and culture. The ordinary German was left with the impression that the whole of this great German army, officers and soldiers alike, had fallen like the Nibelungs after an incredibly heroic resistance. As long as the Nazi regime lasts, this legend will remain, like the legend of the "Langemarck volunteers" of 1914 and the "unbeaten" army which came back in 1918. All this is true to type. But it may be a boomerang. The fact that a major military disaster has befallen German arms in the east cannot have entirely escaped the notice of the German people. There may be other catastrophes to follow Stalingrad, and a new legend cannot be made every week. The German people know that the Russians are advancing, just as they know that labour mobilisation has already been carried to the highest possible pitch; the new decrees closing down shops, and so on, will have only a slender yield. They too are part of a legend, the legend of the "people's community" which the Nazis have brought into being, the community in which, at this crisis, the leisured and the idle must be forced to work and fight. But facts will tell. The German people have still to hear Hitler in person on what is happening to their eastern armies. They have still to know where he is and what he intends to do. And, while they wait, there is a note of fatalism and despair in the speeches of their other leaders which must be somewhat frightening. Dr Ley has toured East Prussia. It was stated that the people there expressed their inescapable determination to fight. Thus, Dr Ley prepared the German people for a Russian invasion of the Reich.

Reshuffle in Italy

"Heads I win, tails you lose." The Italians are in a desperate situation, and any political move made under the pressure of such a catastrophe, interpreted in whatever direction, makes not the slightest difference to the fate of the Duce's regime. Its days are numbered. The Cabinet changes are a last desperate effort to manoeuvre for position and probably represent not a coherent policy, but a series of expedients. The dismissal of Ciano, Bottai and Grandi, all great names in the Party, is chiefly for internal consumption. The Duce needs scapegoats and the suggestion of new beginnings and new men is apparent in the wholesale reshuffle in the Cabinet. The recent dismissal of the Chief of Staff, General Cavallero, was not sufficient to meet a crisis in which military, political and economic conditions are all deteriorating. The names of the dismissed and of the new men suggest a tightening of discipline. Moderates like Thaon de Reval are sacked. Tried men who have worked unsensationally at their jobs like Host Venturi and Riccardi have gone. Although all generalisations may be misleading, it seems that Mussolini has dismissed on the one hand anyone big enough to be useful as a scapegoat, on the other any who might prove timid, disillusioned or cynical enough to give up. If it is anything, the new Ministry is a Government of National Concentration with the Duce adding yet another vital office—the Foreign Office—to those of Minister of War, the Navy, the Air Force, the Interior and Commander-in-Chief which he already holds. This interpretation fits in with the trend inside the Fascist Party in recent months. The discipline has been tightened up and all "slackers, cynics, grumblers and defeatists" have been purged.

Just as Hitler in the crisis which has been growing ever since December, 1941, took over unique control first of the army, then of civilian life, and thus attempted to rally the people by a personal identification of the government with his mystic leadership, so probably the Duce, in rather a less emotional and teutonic way, is attempting the same metamorphosis. Even so, with Rosso sent out to Ankara and Ciano to the Vatican, he may still have one ear on the ground for whispers of peace.

Towards Unity

General Giraud's new ordering of French Africa is at least an improvement on Admiral Darlan's. There is to be no more harking back to Pétain's authority. General Giraud is to be "French Civil and Military Commander-in-Chief," and he will be assisted by an advisory war committee in place of the old Imperial Council. On the economic side, he will have the assistance of an economic council representing all French African territories (save those controlled by Fighting France). Delegates to this council are to be nominated by the Governors. In his relations with the Allies, the General will be assisted by a Delegate General. The new administration is to work in a more liberal spirit. Jewish property will be restored, and—three months after the entry of American and British troops into North Africa—Jewish children are to be permitted to return to school. The release of prisoners will be carried forward, and such astonishing anomalies as the continued existence of Laval's *Service d'Ordre Légionnaire* will cease. All this obviously represents a step forward in meeting the Allies' wishes—and the needs of the military and political situation. It is less obvious whether it will speed up the process of fusion between Fighting France and the North African authorities. As General de Gaulle pointed out at his press conference, the changes were made without consultation, even though General Catroux, the Fighting French Commissioner for Syria, was about to arrive in Algiers for joint talks. The situation is that two centralised authorities exist to control and direct the French Empire and the efforts of independent Frenchmen living outside France. Neither authority is anything like ideal from the point of view of Frenchmen or their Allies. It is not so much that the committees are "unrepresentative" in the sense of not being democratically elected; in the circumstances, they could not be. The shortcomings lie in the character and temper of the two movements. General de Gaulle has weakened his position by excluding a number of his ablest collaborators, General Giraud by failing to exclude some of his most compromised. General de Gaulle has allowed a suspicion to grow that his movement has strong personalist tendencies, and that he himself is not without ultimate political ambition. General Giraud has largely admitted his incapacity to deal single-handed with the problems of North Africa by his repeated assertion that he is no politician and only a simple soldier. Given two authorities, neither ideal, there should be no question of abolishing either in favour of the other, but



1563 1831

MARTINS BANK

LIMITED

OVERSEAS BUSINESS

Martins Bank transacts all classes of Home and Overseas business

Total Assets - - £183,500,000

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2

of fusing their better elements in a new unity. There is need for a centre of administration both in London and North Africa. Let there be an exchange of personnel, a process of "mixing up" carried down through both administrations. No mere "liaison" would be an effective step towards fusion. Let the independent Frenchmen in Britain and America be brought, both in Africa and London, into positions of trust. This broadening of both branches would have a liberalising effect, for it is the authoritarian tendencies of both movements that have held many honest men aloof.

Aid from Canada

The financing of Canadian war supplies to the Allied nations has been placed on a new footing by the establishment of a War Supplies Allocation Board, announced this week by Mr J. L. Hsley, the Finance Minister. The Board, which is being endowed with an initial appropriation of \$1,000 millions, will have a task roughly equivalent to that of the United States Lend Lease Administration. It will provide for the distribution and finance of Canadian supplies of war materials—in the widest definition—to the United Nations. These materials are to be supplied without cash or credit. The new arrangement is explained by the exhaustion of the \$1,000 millions free gift which Canada made to the United Kingdom early in 1942. This gift, in its turn, followed the virtual exhaustion of Britain's Canadian dollar resources (and of gold and securities convertible into Canadian currency) and a period during which British purchases from Canada were paid for in sterling and accumulated here in the form of credits, which in January, 1942, were converted into a loan free of interest. The new arrangements for financing the supply of war materials from Canada to this country will only operate when available resources of Canadian dollars are not sufficient to meet debts. These resources are to be somewhat increased in the immediate future in two ways. First, the Canadian Government is to take over the ownership of United Kingdom interests in Canadian war plants, which amount to about \$200 millions and represent direct British Government investments in Canadian munitions concerns made since the beginning of the war. Secondly, Canadian Government expenditure in the sterling area is to expand considerably as a result of the formation of additional Canadian RAF squadrons, which will incorporate most of the Canadian personnel now in the RAF and hitherto paid by the British Government. The new arrangements ensure that the flow of Canadian supplies to this country and to the other United Nations will not be hampered by financial considerations. In so far as they involve no creation of monetary or "real" debt, they go as far as generosity can.

War in the Air?

A Note on page 208 discusses American views on the future of civil aviation. There is uneasiness on both sides of the Atlantic. Some Americans allege that by supplying aircraft under Lend-Lease they are giving the key to Britain; at least as many Englishmen allege that by handing over Empire routes to United States lines they are selling their birthright. Few opinions on the subject are so riddled with nonsense as those expressed in Mrs. Claire Luce's recent plea for "sovereignty of the skies." Fantastically, she speaks of the squeezing out of American shipping by the "heavily subsidised" lines of other "low labour scale" countries, and voices the fear that the same may happen in the air. It is high time that the British and American Governments ended this sordid wrangling by stating exactly what is happening and making plain their future policy. They have to choose between "sovereignty of the skies" and "freedom of the air"; and there is no doubt which choice will best serve both world peace and the efficiency and cheapness of world transport. In this discussion, British and American Imperialism look equally ugly.

Service Overseas

Both Houses of the South African Parliament have approved General Smuts's motion that South African soldiers be allowed to form volunteer units for service overseas. In the House of Assembly the motion was passed by 75 votes to 49, thus giving a majority in the Government's favour of 26, compared with 19 when a vote on the war issue as a whole was taken two years ago. But if General Smuts's

position has thus been strengthened by his motion, the very reverse is true of Mr Curtin in Australia. When he decided to amend the Militia Bill to enable Australian conscripts to be sent to serve in the Pacific area outside Australia itself, he was applauded for having taken a courageous step which would lift the conduct of the war outside party issues. But the Bill which is now before the Commonwealth Parliament defines the area to which the militia can be sent so narrowly that it excludes parts of Java, Borneo and the Solomons and the whole of the Malay, the Philippines and New Zealand. Thus Mr Curtin has apparently given way to the isolationists in his own party, though the inter-State Labour Conference had approved his proposal to send the militia outside Australia by 24 votes to 12, and his explanation for the narrow definition of the south-west Pacific—that *inter alia* it had to be based on Australia's available manpower—reads unconvincingly. It may be true, as he claimed, that the present strategy of holding Japan until Germany is beaten means that Australian action must be primarily defensive. But that the main body of Australian soldiers is needed in or near Australia now should not be allowed to determine future military plans, which must inevitably be hampered by the knowledge that the use of Australian manpower is still limited—even against Japan. Mr Curtin has not lost his political position in Australia by his timidity, because the Opposition has shown itself equally weak in condemning but not opposing the Bill. But he may have lost some weight in the counsels of the United Nations, whom he has been ready to blame for sending their soldiers overseas to fight Germany instead of to the Pacific area to fight Japan.

Peace Aims

It is right for publicists and experts to point continually to the folly of seeking old ways in a new world. There was no return to 1914 after 1918; there will be no return to 1939 after 1945—whenever it is. The world will be changed, and the greatest need of all will be adjustment. Nevertheless, neither the journalist nor the economist should overlook the human facts. The first and foremost fact is that practically every ordinary man or woman who is in the Services or in the war factories wants, above all, to go back home—and by home is meant something very like the old familiar home life of 1939, riddled, no doubt, of its disadvantages and insecurities, but still the old familiar place and way of life. Indeed, whatever war and peace aims the various governments may have, this is precisely what millions of ordinary men and women are fighting for. The second fact is that certain groups in the community are making their way back to 1939, under cover, not because they regard the pre-war world as a whole as desirable, but because their own position in the pre-war world was relatively strong and well entrenched. The trade unions, quite openly and above board, have their Restoration of Pre-war Practices Act; the trade associations are getting their trade practices restored in a different way, by consultation and private treaty with the appropriate Minister or Ministry, by getting on with the job of making certain that, even if it is no better, the post-war world will be no worse—for them. The implications of these facts are plain enough. First, the starting point for every plan must be the ordinary life of ordinary people, and their ordinary wants and needs—the wants and needs of Tom Snooks and his family, as Lord Nathan would say; the rule of the expert, who knows nothing and cares less about ordinary people, is less tolerable even than the rule of the good fellow who is an ignoramus. Secondly, all post-war planning should be done in the open. As Sir George Schuster argued in last week's debate on economic policy, the principle should be Let the People Know. Let them know, let them decide. Only in this way can it be made sure that the real issues are known, and that the solutions are not being worked out behind closed doors by vested interests. Let the Government say openly what its schedule of priorities in reconstruction is, what it proposes to do and why; then the people can tell whether these questions have been rightly answered, whether what they want to have and to do has been taken into account, or whether the harpies have been at work again, closing this or that avenue to a homely but abundant life.

The Upper House

It should not have been left to Lord Beaverbrook to say what a notable contribution the House of Lords has made to the discussion of war problems and policy. Mead-

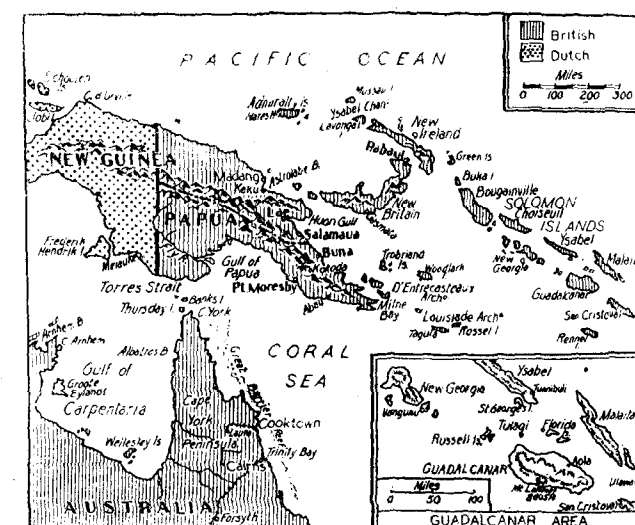
ing for the discussion on the Ministry of Aircraft Production to be held in public session, Lord Beaverbrook underlined the national importance of the peers' debate. The present House of Commons, he pointed out, is no longer representative; it has prolonged its own life by statute; and it has "co-opted nearly 100 Members without consultation with the electorate." The House of Lords, on the other hand, he contended, "has to-day a far greater influence and power than it has exercised at any time in the past 30 years." This is perfectly true; as a deliberative body, the Upper House has never been more worthy. This does not mean, however, as Lord Beaverbrook seemed to suggest, that the balance of political power has shifted upstairs. He said that the further continuance of the life of the House of Commons was dependent on the assent of the House of Lords. Formally, this is true; but, actually, if the Government decided that the life of the Commons should be extended further, the House of Lords, itself inspired in matters of party decision by precisely the same political pressures which control the Commons, would agree. It is as a deliberative body, not as a political force, or as the maker of policy, that the House of Lords has come to excel; and it has done this by the admirable way in which it has employed its resources. Only those people who know, by profession, experience or close study, about the topics to be debated, normally take part. The process is vaguely similar to that by which only the law lords came to sit in judgment when the House of Lords acts as a court of justice. The debating ring is kept clear for the peers who have something of value to say; and the process has been very notably assisted in recent years by the quality of the new peers created, very few of them merely as political jobs, and very many of them men of high distinction and ability, not least in matters of government and the Services. All this gives not the slightest excuse, in itself, for the existence of a hereditary Upper House. It is because, by and large, the hereditary principle is only a sleeping partner in the actual proceedings of the House of Lords that these excellent results have been achieved.

The Colonial Service

It was, perhaps, natural that, after the proposed reforms in the recruitment of the Foreign Service had been announced, suggestions that there should be equally far-reaching reforms in the Colonial Service should be renewed. Lord Trenchard returned to the attack in a debate in the House of Lords this week, when he asked whether the Government had come to any decision on the question of the recruitment of the Colonial Civil Service, the establishment of a Colonial Staff College, the creation of a Colonial Advisory Board and the grouping of colonies together. The Duke of Devonshire, in reply, was not able to state more than that all these matters are under active consideration. There are certainly colonial matters on which the need for a statement of policy is more urgent. To a large extent, the right machinery will be forged as new policies are put into effect. Thus, the full implementation of the Colonial Development and Welfare Act will demand a more technical and specialist Service, and, unlike the Foreign Service, the whole Colonial Service must, gradually but eventually, wither away as one by one colonies come to administer, and finally govern, themselves. But policies can nevertheless be held back if the machinery is faulty and cumbersome, and there is consequently an obligation on the Government to see that the Colonial Service is staffed by men with progressive ideas and courage, and that their initiative and critical outlook are not stifled by higher authority. This need for the right staffing, at the Colonial Office itself, in the Governments and Secretariats of the different colonies and in the administrative and technical services, is discussed in detail in *Downing Street and the Colonies*, a report submitted to the Fabian Colonial Bureau and published by George Allen & Unwin (2s. net). Not all will agree that the examination system, abolished altogether when the Colonial Service was unified in 1932, is the right method of recruitment, as the report urges. It may be more democratic than the present system which favours unduly young men from Oxford and Cambridge, but modern methods of selection, as, for instance, are applied at present to the selection of officers for the army, will probably be found to have far greater value in determining and finding the right sort of person; it is worth noting that this system will be adopted for recruitment to the Foreign Service to a maximum of 25 per cent of the candidates. But the report's main recommendations will be endorsed by all who look for new life and vigour in Downing Street and the Colonies themselves.

Reculer pour mieux Sauter?

After some six months of fierce fighting, the Japanese have abandoned Guadalcanal in the Solomons. The spectacular landing made by United States forces early last August—their first exercise in combined operations—has succeeded. Japanese Imperial headquarters have admitted the total withdrawal of their forces with the exception of a few isolated remnants. There has been no large scale Japanese attempt at reinforcement since the middle of last November, and the forces which remained were outnumbered and outmanœuvred. This Guadalcanal victory is the complement of the Australian victory in Papua. Both tips



of the pincers, with which Japan, in the early summer, attempted to encircle Australia, have been bitten off; the threatening arc has been curtailed and an immediate and pressing danger removed. Moreover, the campaigns for Guadalcanal and Papua have cost the enemy heavy losses in all fighting services, and have demonstrated that the Greater East Asian power is not invincible. These two campaigns may prove to have been the turning point in the Far Eastern war. But to suggest that the turning point has unmistakably been reached would be to read too much into the latest successes.

Young Workers

The claims of industry and education are too often regarded as opposed. There are those who hold that, however desirable it may be to extend the period of compulsory education, the country "cannot afford it," because the withdrawal of a large part of juvenile labour would add materially to industrial costs. There are others who hold that one of the chief reasons for raising the school-leaving age is to keep adolescents as long as possible from entering industrial employment. It is the great merit of Nuffield College's Statement on Industry and Education (Oxford University Press, 1s. net), that it shows how false this opposition is. Since Britain's standard of living depends on the efficiency of British industry, it is industry that will continue to employ the vast majority of the new supplies of labour that appear year by year. The idea that there is something derogatory in manual occupations as against non-

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

200 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38, Threadneedle Street, E.C.2.
West End Branch: 198, Piccadilly, W.1.

manual must be eradicated—possibly the war, which has emphasised the importance of skill in the Army and especially the RAF, will have helped—but it follows that the young worker taking up manual employment must have an education equal in status and in quality to the education given to a grammar school boy—the more intelligent and adaptable he is, the greater will be his efficiency and the lower industrial costs. Nuffield College insists that the education of the great majority of industrial recruits—those leaving school at the statutory age, which it urges should be 15 immediately after the war, with a further rise to 16 as soon as is practicable—should not be “narrowly vocational . . . but should be such as to provide a wide instruction in mathematics and basic science” and also in general and social subjects, and should include “the speaking and writing of good and exact English.” The same non-vocational character should apply to the curriculum of day continuation schools, which, the Statement recommends, should be rapidly extended to enable young persons, leaving school at the statutory age, to spend half their time between education and employment. Vocational training, on the other hand, should take place in industry itself. Nor does Nuffield College consider that recruits to industry from secondary schools and higher technical schools should have specialised; from them again, the main requirements of industry are “the broadest possible development of general intelligence and initiative, together with a sound basis of general scientific and mathematical knowledge.” It further urges the right of industry “to claim a higher proportion of the best men from the Universities than it has been getting in the past,” and that technical colleges should become the nuclei of People’s Colleges, taking an active part in adult education as well as training students for vocations, which would give higher technical education the cultural quality it now lacks. Most of all these recommendations are not new. They have been urged by educational reformers, official and unofficial, for years. But that they should have been restated with such clarity and precision, at the very moment when the future of British industry, and its need for efficiency and enterprise if it is to compete in post-war world markets, are being widely discussed, gives them greater force. What is now wanted is the long-promised Education Bill to make them realities.

Of Usury

The frequency with which the argument against the taking of interest on borrowed money is advanced suggests that the true intention of the medieval laws against usury is still not generally appreciated, after eight hundred years of discussion and experience. Whatever the origins of the law against usury, it developed in its pure form in Western Europe during the period of some two hundred and fifty years following the middle of the eighth century, when the complete success of the Mussulman invasions closed the Western Mediterranean to commerce, save that of an occasional non-Christian trader on a flying visit to one of the few larger centres of population. With this fundamental change money, which had been used as the active vehicle of trade—and to some extent of local industry—became in fact barren, inert and, apparently, dead for all time. In these circumstances, its sole function was to act as a store of value against misfortune, or the demands of quite exceptional developments. It could be used only for consumption, not for the production, or transport, of goods at a profit. It was consequently a great service to the community that those with idle money should be enjoined to lend it to those in want, and that the lender should be forbidden to take interest, since the debtor was, by definition, already in trouble. The law against usury was, in fact, a rudimentary attempt to secure a more reasonable distribution of current resources. So soon as commerce started again, all this was changed. If a man was to use money to gain 15 per cent there could be no possible objection to his paying five. Indeed, some such payment was necessary to ensure a sense of responsibility in the merchant. The change was, in fact, quickly realised by leaders of opinion, although the general problem remained to plague the public and the law courts, even, it would seem, until the present day. It was very early recognised that, if the lender shared in the risks of the enterprise he was financing, he was entitled to demand interest. Even when interest was still forbidden on a loan used to acquire fixed capital, the owner of the money might acquire the capital goods himself and hire them for money. Shortly after 1260, Aleyde de Brabant decided to ignore the death-bed wishes of her husband that all usurers should be expelled from his country on the advice of no less a theologian than St. Thomas Aquinas, while

even earlier experts in canon law were busy whittling down the absolute prohibition. Had these and subsequent experts been prepared to search, they might have found the key to the problem in the Mosaic law. Framed for an agricultural community, at a similar stage of organisation to that of tenth century Western Europe, this had none the less taken cognisance of the existence of traders. The law laid down that no interest should be taken from fellow Jews, who would normally require it for relief, not trading, but that it might be taken from foreign traders. It does not make it clear that they were charged interest as traders and not as foreigners, but this distinction is implicit in the further injunction that loans must be made, free of interest, to a gentile in distress, as to a Jew. Thus, the essential difference between a loan for consumption goods and a loan of money to be used to breed more money, appears to have been realised in the Palestine of the Old Testament. It is a pity that it should still be necessary to labour the distinction between moneylending and investment in twentieth-century Britain.

The Just Price

The Archbishop of Canterbury’s address to members of the Bank Officers’ Guild was, in the main, an unexceptionable definition of the place of religion, of personal qualities and personal relations in the life and progress of the community. But from this followed a dissertation on the vice of usury; a condemnation of the law of supply and demand which apparently should make way again for the concept of the “just price”; an attack on commercial advertising “which has taught Goebbels most of his secrets”; a condemnation of the project for a world bank because “it would make for power without responsibility,” there being no world Government; and finally, a denunciation of the demand for greater mobility of labour because this “involves treating labour as an instrument of production” and is therefore immoral. Among this astonishing array of criminals none wears a more guileless, innocent look than the law of supply and demand. It is difficult to see how its guidance could be disregarded even by the price-fixing authority of a wholly communistic regime. The pitfalls of the law of the just price can best be illustrated by the Archbishop’s own example. As an illustration of his argument, he extolled the action of his tailor, who at the beginning of the war refused to raise the prices of his suits until his pre-war stock of cloth was exhausted. That, apparently, was obeying the law of the just price. But does the Archbishop realise that by accepting suits at this price he was in fact robbing his tailor of part of his capital? Let us assume that the tailor’s capital, invested for the most part in his stock-in-trade, was sufficient to maintain 500 bales of cloth. When these were exhausted by the process of selling suits at pre-war prices, and the tailor found himself obliged to restock in a market in which prices had risen by, say, 50 per cent, he would only be able to buy 333 bales. The transactions which led to this impoverishment of the tailor may have appeared most laudable to the Archbishop, but the price at which they were made was hardly a “just” one for the tailor.

Shorter Note

Mr Bevin has announced that, in view of the pressure of work in his Department and the need for economies in the use of staff, he has decided that the unemployment statistics should in future only be published at quarterly intervals instead of every month. The decision is not of great importance, since the number of unemployed has now fallen to such a low level and consists mainly of people changing jobs; but the reason given for it is unconvincing and it is in any case a most undesirable precedent. The need is always for as much official information as can be released without danger as possible, and it is imperative that as soon as the war is over, and the process of securing full employment has begun, the old custom of publishing unemployment statistics monthly should be restored.

The LCC has accepted the report of its Education Committee recommending that there should be no collaboration between the Council, as local education authority, and the Fleming Committee, which is to report on the best means of associating the public schools with the general educational system of the country. A motion to refer the report back was defeated by 43 votes to 24.

AMERICAN SURVEY

United States Steel

(By a Correspondent)

UNLIKE this country, the United States has still a considerable reserve of untapped manpower. But in order to translate this reserve into war potential, increased supplies of materials are required. Materials means first of all steel. Steel production in the United States has risen by leaps and bounds. When war broke out in Europe in 1939 the country’s output of steel ingots reached 52.80 million net tons of 2,000 lb. By 1941, it had risen to 82.93 million tons; in 1942 it advanced to 86.00 millions, and by the end of last year it was already running at an annual rate of 89 million tons. Yet, since the middle of last year, steel has been one of the most critical shortages. This year US requirements will be well above those of 1942. As something like 90 per cent of US steel is being delivered on priority ratings of “A-1-a” or higher, it is not possible to transfer further sizeable quantities from non-munitions to munitions. The introduction of the new Controlled Materials Plan will only improve the control over the flow of steel to the most urgent purposes; it will not create sizeable additional supplies of steel for the armament industry. An extension of steel-producing capacity is required to meet mounting demand.

Increasing Capacity

The productive capacity of the US steel industry has not been stationary. At the end of 1939, it was 81 million net tons of ingots. By the end of 1941, it amounted to 88 million tons. The latest War Production Board estimates of capacity at the end of 1942 are as high as 93 million tons. The advance in actual steel output between 1939 and 1941 was greatly eased by the fact that productive capacity far exceeded the current rate of production. But since last spring increases in output have been directly dependent on the provision of new productive facilities. It is true that, even last year, production of steel remained well below the capacity figure; but this was mainly due to the fact that the alloying of steel, one of the most vital parts of the steel production programme, has absorbed an increasing proportion of steel-making capacity—especially open-hearth capacity. The monthly output of alloy steels in the United States, which averaged 270,000 tons in 1939, reached 736,000 tons in January, 1942, and jumped to 1,130,000 tons last December. Because tonnage capacity is lost when steel furnaces produce alloy steel instead of carbon steel, the difference between the output and capacity figures in 1942 does not mean that there is still a surplus of capacity.

Nevertheless, the next twelve months will see a further considerable increase in the United States steel output. As Mr Donald Nelson recently announced, the rise in capacity last year was only part of a wider expansion plan, which is to be completed by the middle of this year. It provides for the following detailed programme:—

PRODUCTIVE CAPACITY OF U.S. STEEL INDUSTRY
(Annual Rate in Net Tons)

	January, 1942	December, 1942	Mid- 1943*
Open hearth	77,702,000	78,895,000	84,241,000
Bessemer	6,721,000	6,721,000	6,721,000
Electric	3,402,000	4,666,000	6,153,000
Total	87,825,000	90,282,000	97,115,000

* Goal of Present Schedule.

In order to reach the goal of over 97 million tons by the middle of this year, expansion in the next few months will have to be over five times the average rate of expansion in 1942. As Mr Hiland G. Batcheller, director of the Steel Division of WPB and chairman of the recently formed Combined Steel Committee, pointed out in his New Year message to the US steel industry, “most of the groundwork was already laid in 1942.” The additional capacity to be brought into operation within the first six months of 1943 exceeds the total production of Japan.

The Flow of Materials

At this stage the planning of an adequate and regular flow of raw materials for the utilisation of the increased capacity requires an even greater effort than the completion of the extension programme. Here also the goals have been set months ago. They provide for the following increases in supplies of the various raw materials:—

RAW MATERIAL SUPPLIES OF U.S. STEEL INDUSTRY

(Annual Rate in Net Tons)

	January, 1942	December, 1942	Mid- 1943*
Iron Ore	118,583,000	121,391,000	133,949,000
Coke	71,559,000	73,068,000	80,440,000
Limestone	29,300,000	30,780,000	34,716,000
Pig Iron	57,879,000	60,759,000	68,716,000
Re-circulating Scrap	24,602,000	25,047,000	27,192,000
Purchased Scrap	19,866,000	17,575,000	14,386,000

* Goal of Present Plan.

The whole of the increased iron ore requirements under the new programme are, for the first time, to be exclusively supplied from domestic sources. The bulk of the increase will be provided by the Lake region, which is scheduled to produce 112,109,000 tons per annum by the middle of next year, against 104,621,000 tons by December last. The problem involved in moving this ore was discussed in an article in *The Economist* on January 23rd (page 104). The shipping problem will be somewhat eased by the completion of a transport development plan, approved by the WPB last August, which will be completed before the beginning of the new shipping season.

The bulk of the additional coke requirements will be produced in the steel industry’s own by-product coke ovens, of which 17 new ones are to start operation before next July. Limestone supplies appear to be offering least difficulty. An intensive effort is required to increase the blast furnace capacity from 64,440,000 tons at the end of last year to 70,418,000 tons by next June. Improvements in equipment, the rehabilitation of old furnaces and enlargements of furnaces at present in operation, will not provide more than about one-sixth of this increased capacity. The remainder is to be provided by new furnaces, of which a substantial number are already nearing completion. The fulfilment of the blast-furnace programme is especially significant, since the ratio of pig iron in steel must in future be materially increased owing to the shortage of scrap. But recirculating scrap supplies will be automatically increased as a result of the larger production of finished steel products. The scheduled increase from this source, however, will not be large enough to counterbalance the decline in old scrap supplies.

The foundations for this steel expansion programme were laid before Mr Lyttelton’s visit to Washington in December

BANK OF MONTREAL

(Incorporated in Canada in 1817 with Limited Liability)
Financial Agents of the Government of the Dominion of Canada in London
CAPITAL \$36,000,000
RESERVE AND UNDIVIDED PROFITS \$40,236,685
TOTAL ASSETS IN EXCESS OF \$1,000,000,000

Head Office: MONTREAL

Huntly R. Drummond, Esq., Chairman of the Board

G. W. Spinney, Esq., President

Major-General The Hon. S. C. Mewburn, C.M.G., W. A. Bog, Esq., Vice-Presidents

B. C. Gardner, Esq., M.C., General Manager

LONDON: F. R. Spalding, Esq., Sir Hardman Lever, Bart., K.C.B.

COMMITTEE: Sir Frederick Williams-Taylor.

London Offices: 47 Threadneedle Street, E.C.2. Edward Pope, Manager

9 Waterloo Place, Pall Mall, S.W.1. D. MacGregor, Manager

The Bank undertakes general banking business and with its numerous branches offers special facilities in Canada, Newfoundland and the United States.

last and before the appointment of the Combined Steel Committee. It is the basis of this year's Allied war production plans. Although it is impossible at this stage to judge the precise trend of steel requirements in the more distant future, it can be anticipated that next year the demand for steel will rise at a far slower rate than this year, which, according to present plans, is to be the peak year of Allied war production.

American Notes

Manpower Manœuvres

The President's Order on the 48-hour week appears to be a partial answer to current Congressional ferment over the manpower position. At present, a number of Committees of Congress are investigating manpower. That which is receiving most attention is the Senate sub-committee inspired by the shortage of agricultural labour. It is the spearhead of a group in Congress determined it possible to force the Administration to reduce the size of the Armed Forces in order to provide more labour for agriculture and essential civilian jobs. Ex-President Hoover has predicted "an extremely grave shortage of food, metals, and oil," unless 1,000,000 workers are transferred to farms, factories, and mines, either from the Army or unessential civilian work; and he is said to have stressed to the Committee, on the basis of his experience in the last war, the need for immense reserves of food for relief when the fighting is over. The growing scarcity of labour, particularly in the west, has contributed to the triumph of Lend-Lease, for the Isolationists argue now that more Lend-Lease means that the Forces will need fewer recruits, thus freeing men for civilian war work. So far, however, there are no signs that the Army—or the President—is willing to reduce the estimate of an army of 7,500,000 by early 1944. Dissatisfaction with the Government's approach to the distribution of manpower—both with its substance and the use of executive decrees—is also evident in the introduction of Republican Bills into both Houses of Congress this week, providing for general compulsory service for men between 18 and 65, and women between 18 and 50. "Orderly and effective mobilisation of manpower" is the avowed intention of the Bills. Their chance of passing is said to be remote, but it is difficult not to agree that the steps taken so far by the Administration, perhaps for sound political reasons, have been piecemeal and partial. The "work or fight" Order of the Manpower Commission, which provides that men over 38 engaged in a long list of unessential occupations must transfer to war work by April 1st or be drafted for the Services, is an indiscriminating tool, which will produce many hardships, and cannot guarantee an efficient redistribution of labour. To compel hiring in war production areas to be done through the US Employment Service may end some pirating; but it does not reach the more fundamental problem of bringing war work to the pools of unemployed in cities like New York, which used to specialise in consumption goods. The Order establishing a 48-hour minimum working week makes it possible to require an increase in working time in areas of labour shortage, though overtime will still be paid above 40 hours. It will be put into effect in 32 areas at once, to release workers from industries operating a low work week for war work. Presumably, however, the manpower position will have to get worse before any determined effort is made to face the inherent difficulties.

Civil Aviation

The future of commercial aviation is one of the many topics of debate in the United States which provides a testing-ground for the strength of the forces of nationalism and internationalism. Recently there has been a sharp clash of ideas between those who want America to realise its "manifest destiny" by domination in the air, and those who are eager to bring about a pooling with other nations as soon as possible. The agitation to set up a permanent Congressional Committee on Civil Aviation is intended to forestall the agreement between the United States and Britain which the White House is rumoured to be planning. Various Congressmen and editorial writers have talked of air supremacy as sea power was talked of in Admiral Mahan's day. Representative Nichols said a fortnight ago:

The country that is ranked first with fast cargo-carrying planes will dominate the post-war world.

The allocation of production which provides that in the United States almost a third of the planes produced are transport types, and the experience and facilities gained as a result of the vast expansion of the US Air Transport Command create advantages which it will be hard to resist exploiting. For some time past, the aircraft industry has been spending substantial sums on advertising to the nation the glittering future of American civil aviation. The most recent text of American Airlines reads: "Attain the most powerful position in the air and automatically we become the greatest power for peace." Commercial interests plus national prestige make a persuasive combination. The Isolationists have even found a grievance in the transfer of transport planes to Britain for war purposes. They argue these planes will be used in commercial rivalry after the war. At the other extreme, Mr Wallace has proposed in a recent magazine article the creation of a United Nations air network, using internationalised airports and heavily subsidised to provide cheap passenger and freight rates. Mr Wallace, too, is struck by the parallel with sea power:

Freedom of the air means to the world of the future what the freedom of the sea meant to the world of the past. Boldness should be the guiding principle in planning a world-wide airport construction programme.

The Administration is said to be working on a more modest plan for proclaiming the freedom of the air. Under this, the idea that national sovereignty exists in the air above each country would be scrapped, and there would be some form of international control of airways and access to bases. The early conclusion of this agreement is devoutly to be hoped for. The temptation to stake out American predominance in the air is strong, and as Mr Willkie said recently, "You can never get more out of the peace than you can get when the war is still going on."

If the Shoe Pinches

The surprise rationing of shoes by Mr. Byrnes, the Director of Economic Stabilisation, is proof of a welcome advance in rationing technique. Except for Mayor LaGuardia's Puckish hint to avoid unnecessary walking, which sent New Yorkers hurrying to the equivalent of Petticoat Lane to stock up before the freeze went into effect, there seems to have been no forewarning, although the supply situation has made it likely for some time that restrictions on civilian purchases would be necessary. The maximum number of civilian shoes that manufacturers can produce this year from their quota of hides is, according to an estimate by *Business Week*, 315 million pairs. A ration of three pairs a year per person works out above this figure; but there are substantial stocks to fall back on—more than 200 million pairs, the result of record production during the last 20 months. On average, the ration will produce no great hardships, for it only reduces civilian purchases from 3.7 pairs a year to 3, and bedroom slippers and infants' shoes are exempt. What is most interesting, in addition to the decision to forgo the advance notice of rationing which has done so much to create shortage in other commodities, is the imposition of a flat ration which takes no account of regional or occupational needs. It is unlikely that the barefoot black boy in Georgia will take up his ration, whereas in some occupations and regions the limitation may produce real difficulties. These refinements may, of course, come later; and an overall clothing ration would make for more flexibility. What is a matter for congratulation is the victory of those who have been urging for months that rationing should be put into effect before severe shortages developed and stocks of the commodity were so depleted as to cause bitterness and alarm at the size of the ration. This latest step of the Office of Economic Stabilisation carries with it a promise that in future shortages will be taken in hand before they become serious, and that the guarantee of "fair shares" on ration books will mean more than it has in the past.

Shorter Note

The deletion by Congress of the appropriation for the National Resources Planning Board is a blow to the extension of social security and post-war reconstruction. It was the social security plan developed by this Board that President Roosevelt promised to send to Congress for their consideration. The Board has been opposed by conservatives as being too radical.

THE WORLD OVERSEAS

No Change in Newfoundland

(By a Correspondent)

DURING his visit to Newfoundland last September, Mr. Attlee found the island enjoying its most prosperous year since 1932, when the country was forced to appeal to Britain for financial aid. The Royal Commission, sent out that year, recommended the suspension of Newfoundland's Dominion status, and the appointment of six commissioners, who were to run the country through the Governor without responsibility to anyone but the Secretary of State for the Dominions. Despite its retrograde nature, this step was welcomed at the time by most of the islanders, who hoped and expected that the new government would introduce fundamental changes in the country's economy. By 1939, however, Newfoundland's position was even more serious than it had been six years earlier, and the British Government had to make a grant-in-aid of nearly \$5 millions—about one-third of the total expenditure.

The chief cause of this depression was the parlous state of Newfoundland's fishing industry. The Royal Commission of 1933 had insisted that "the cod-fishing industry had been and must continue to be the mainstay of the island," and the Government acted on that assumption. But, in 1939, over 30,000 fishermen, roughly half the working population, were dividing less than \$5 millions between themselves, compared with \$12 millions in 1929, while the companies in the paper and mining industries were paying almost \$10 millions in wages to their 10,000 employees. The average gross return to a fisherman for his season's work was under \$150, which very often meant that he was in debt over the winter or else, with his family, had to go on Government relief. As many as 80,000, out of a total population of 300,000, were on relief in 1939.

The war has brought a sudden change. In the year ended June, 1942, for the first time for ten years, Newfoundland balanced its budget without the help of a grant-in-aid. There was, in fact, a surplus of \$7 millions, revenue, at \$23 millions, being double the 1938-39 figure. Even the fishing industry is enjoying a boom, and the decrease in the number of fishermen, combined with a jump in exports to over \$10 millions, has meant that average earnings have been higher than at any other time in the last fifteen years. Newfoundland still has a public debt of almost \$100 millions, but the social services are already being extended, and compulsory free education for all children between the ages of 7 and 14 was introduced last year.

Apart from the fishing industry, this sudden change in Newfoundland's fortunes can be attributed almost entirely to one factor—the construction of US and British military bases on the island. In the case of the United States alone, the expenditure is over \$32 millions, and more than 20,000 Newfoundlanders have found employment at the bases. The high wages paid by the base contractors, averaging \$100 per month, has led to a great increase in the purchasing power of the population, and this, together with the local purchases of the firms themselves, has meant a big jump in imports. The latest figures (for 1941) are \$35½ millions—of which Canada supplied 50 per cent, the United States 35 per cent, and Britain 10 per cent—an increase of \$7 millions on the previous year. This jump in imports is reflected in the country's balance-sheet, for Newfoundland depends on customs receipts for over two-thirds of its revenue. The 1942 surplus of \$7 millions is, therefore, ultimately due to the vast expenditure on the military bases. Obviously, the present prosperity is unsoundly based.

The island's exports, which for 1941 totalled \$36½ millions, are high for a poor country, working out at \$120 per head compared with \$90 in Trinidad, one of the most prosperous of the West Indian colonies. But almost \$25 millions are accounted for by the products of the two paper and two mining companies, which control all the chief sources of production in Newfoundland. These companies are financed by foreign capital, with the result that, apart from wages paid, the country receives little return from the exploitation of its resources. The Royal Commission of

1932, commenting on this, stated that the terms originally offered by the Government to attract foreign investors were much too generous. The companies' exports and imports are more or less free from duty; royalties are negligible; and, consequently, the expenses of Government must be met very largely by a system of high tariffs. This in turn leads to a rise in the cost of living, which is estimated to be at least 30 per cent above that prevailing in Canada, and while the employees of the mining and paper firms might be able to demand and obtain higher wages, the 35,000 fishermen and their families had no alternative, before the war, but to hope that fish prices would rise and to accept Government relief until they did.

Primitive Technique

Newfoundlanders themselves are the first to agree that there is little hope of the prosperity in the fishing industry lasting after the war. Not only will the present inflated prices fall, but Spain, Portugal, Britain and other markets will almost certainly decline when peacetime competition returns. In the past, the Newfoundland fishermen's primitive technique has been a serious handicap in the face of the rationalised production methods and subsidised export trade of countries such as Iceland and Norway. The press complains that, in contrast to the modern technique of other fishermen, the Newfoundlanders' methods are "little different from those of our forefathers 450 years ago." The attempts made by the Commission of Government since 1933 to revive the fishing industry have not been very successful. In the first few years, help was mainly given through the provision of equipment to specially chosen fishermen, and the building of bait depots and cold storage plants along the coast. These methods failed, and a Fishery Commission was appointed to investigate the industry. Its report in 1937 led to no drastic changes in the Government's fishing policy, nor did it lead to any improvement in the conditions of the fishermen. Another report in 1938, made by Mr J. H. Gorvin, at present one of Sir Frederick Leith-Ross's advisers on post-war relief problems, offered limited prospects of a revival, but only a small start had been made to implement his recommendations when the war broke out. About this time, the General Seafoods Company decided not to continue with a proposal to set up a centralised fish-processing plant on the island, which caused much disappointment in the fishing industry, especially as the present refrigerating companies in Newfoundland have very limited resources. But even should the Government thoroughly reform the processing and marketing of fishery products, it is unlikely that the industry will ever again provide a livelihood for 35,000 fishermen and their families.

PICTORIAL CHARTS SERVICE

consists of 6 charts and maps, together with reference notes and sources. deals with matters of national and international importance. treats facts and figures visually. will enhance the value of every book and map you already possess.

SUBJECTS RECENTLY DEALT WITH:

Coal U.S.A.
Beveridge Report U.S.S.R.

SUBSCRIPTION RATES:

Ordinary edition (paper), £1 5s. 0d. a year. 12s. 6d. six months.
Library edition (card, including ring binder), £2 2s. 0d. a year.

PICTORIAL CHARTS, 76 Halford Street, Leicester

Sample Copy on application, price 3d.

Unfortunately, expansion within the existing paper and mining industries cannot be expected. The possibility of a third paper mill in the area known as the Gander Valley disappeared in 1937 when the Government negotiated an agreement with the Bowater-Lloyd interests, which conceded a long-term right to export unmanufactured wood from this region. The vast majority of Newfoundlanders protested vigorously, and, as a result of this and other incidents, a certain hostility has grown up among the people against the companies "exploiting" their resources. On the whole, the labour conditions of the permanent employees of the four alien firms are good; but the position of the part-time "loggers" employed by the paper mills is most unsatisfactory, and requires revision. Arrangements might be made whereby the firms are responsible for the clearing of forest areas, and the settling of the loggers and other seasonal workers on the cleared lands. It is only fair to add that the profits so far taken out of the country cannot be compared with those taken from other colonial areas.

The undeveloped resources of Newfoundland have been listed several times in official and unofficial reports on the country's future economy. The water power of the rivers, the coalfields left untouched, the possibilities of a tourist industry—these and many other suggestions have been made in the last ten years. Each of them requires individual investigation, and some would almost certainly offer sufficient hope of success to justify Government action. But the most likely direction in which immediate progress might be made is in the development of Newfoundland's agriculture.

After his visit in 1938, Mr Gorvin produced an excellent report recommending a vigorous land policy run on co-operative lines. In 1939, he was appointed to the post of Commissioner in the Newfoundland Government, and there seemed every chance that a wide recovery programme would be started on the basis of his recommendations. But the war intervened, Mr Gorvin resigned about a year later, and the various reconstruction plans were postponed. Since then, many of the small farmers have drifted to the defence projects, or have slackened their food production because fishing is bringing in adequate returns. The result is shown in the statement of the *Journal of Commerce* that "1941 was one of the worst years on record for Newfoundland agriculture." This decline cannot be a wartime necessity, for some of the West Indian colonies have increased local food production considerably since 1939. Nor can there be any question of Newfoundland's agricultural opportunities—live-stock, poultry and pig-keeping, dairy produce, sheep raising and fruit-growing are all commercial propositions. But the Government seems to be content to live for the day, and as a consequence is beginning to lose the confidence of the people. A local paper, the *Evening Telegram*, summed up the position in these words recently:

The tendency, becoming more pronounced year after year, to take the public less and less into its confidence regarding public matters under discussion . . . has given rise to a feeling of apathy towards Commission Government.

A return to some form of democratic government cannot alone save the country from another disaster; there must be a more realistic outlook towards the island's economic position, and an immediate start on a vigorous policy of land cultivation. In 1933, the Dominions Office took on the responsibility for the Government of Newfoundland, and over \$20 millions has been provided by the British Exchequer in order to provide some sort of security for the people of the island. Mr Attlee is doubtless aware that no real security exists behind the façade of a budget surplus; it is to be hoped that he will be able to introduce, even in wartime, some of the changes which will be necessary if Newfoundland is ever again to live as an independent, self-supporting country.

WATCH AND WARD

A Plea for Rational Planning,
By JEAN H. TRESFON.

Eagerness for reform may lead to such a measure of control as to deprive Britons of much of their traditional freedom. The author refuses to be stampeded and discusses possibilities of reconstruction safeguarding the liberty and enterprise of ordinary people.

Price 1s.

From any bookseller or 1/13 post free of the publishers.

JARROLD & SONS LTD.,
THE EMPIRE PRESS, NORWICH.

Eire's Majority

[FROM OUR DUBLIN CORRESPONDENT]

It is twenty-one years since the ratification of the Anglo-Irish Treaty, which brought the Irish Free State into being. The coming of age of Eire has passed without celebration and almost without notice. The absence of any public remembrance of the anniversaries of the Treaty and its ratification suggests that the events are not regarded with unanimous satisfaction. The fact of the matter is that the Treaty settlement has never been accepted with universal enthusiasm. The exclusion of six counties marred the arrangement from the beginning. The split over the acceptance of the Treaty, and the Civil War which rent the country from top to bottom, were an inauspicious opening of a new chapter in Irish history. Moreover, the period since the Treaty has been full of disturbances at home and abroad. The Civil War had not finished for many years when the world agricultural depression struck the principal Irish industry. To make things worse, the depression was followed by the Economic War between Great Britain and Ireland, which completely dislocated the export trade for several years. The Economic War was settled in 1938, the year of Munich. In the following year, Europe burst into war, and the last three years have been a period of quite abnormal difficulty. The last two decades have scarcely been favourable to the success of an experiment in self-government.

Nevertheless, the most disgruntled critic of the Treaty could scarcely pronounce the last twenty years to have been a failure. The reality of the autonomy conferred by the Treaty has been amply demonstrated. The Irish leaders at the Imperial Conferences took an active part in determining the new constitutional relations between the various parts of the British Commonwealth of Nations. The Statute of Westminster could scarcely have been so comprehensive had it not been for the activities of certain Irish Ministers. The new Constitution, passed in 1937, was a formal recognition of the realities which had developed in the course of years. The outbreak of war afforded the acid test of Irish self-government. The successful maintenance of neutrality for over three years has demonstrated to the Irish people and the outside world that the status obtained by the Treaty and the subsequent constitutional developments enabled Ireland freely to decide its own fate in the overwhelming issue of peace or war. The sovereignty of Eire has been established beyond question.

When the question is asked whether the best possible use has been made of that sovereignty opinions must necessarily differ. On the credit side, it must be admitted that both Irish governments since the Treaty have maintained law and order in spite of considerable opposition and difficulty. The tradition of armed resistance to the Government has not been easily extirpated, but the challenge of the lawless element has been met with courage and decision. The suggestion that religious intolerance would be experienced in a self-governing Ireland has happily been proved incorrect. On the other hand, the course of political development has scarcely been ideally satisfactory. The division on the Treaty has tended to stereotype the issues between the leading parties on controversies that are now dead. The two leading parties who will contest the coming election date back to the split following the Treaty. There has been a lack of recruitment of new blood into politics. Irish democracy has proved to be sterile in the production of young politicians. Very few young people of ability have adopted political careers, and some of those who have done so have found themselves in the wilderness of independence. It must be admitted, however, that this is the fault of the people rather than the politicians. The utmost liberty of expression of opinion, consistent with the interests of a censorship in wartime, has been maintained, and political discussion has not been muzzled in any way. Irish politics have remained essentially democratic during a period when democracies have perished in many other countries.

[About 250 words have been deleted here by the Irish Censor.—EDITOR.]

From the economic standpoint, the period of self-government has fallen into two parts. During the first ten years emphasis was placed on the export trade of agricultural products, while a policy of mild industrial protection was pursued. The largest concrete achievement of the first Irish Government was the electrification of the Shannon, which has rendered the country to a great extent independent of

imports of coal during the war. Since 1932, self-sufficiency in agriculture and in industry has been the order of the day. The world agricultural depression and the adoption of protection in Great Britain would have necessitated some modification of Irish policy even if there had not been a change of Government. The accession to power of a party which was frankly protectionist, together with the interruption to the export trade resulting from the economic war, caused these modifications to take place at a pace more rapid than desirable. The new protective policy has undoubtedly given considerable employment in the protected industries. But employment in some of the older exporting industries has been reduced, and the volume of employment in agriculture has not been maintained. The stream of emigration, which is the most wasteful element in Irish economic life, has continued throughout the whole period of self-government; so long as this stream continues to flow the economic condition of the country cannot be regarded as satisfactory. It is probably correct to state that Eire is sounder financially than economically. In spite of sound monetary and financial conditions, the population has continued to decline and the national income has obstinately refused to expand.

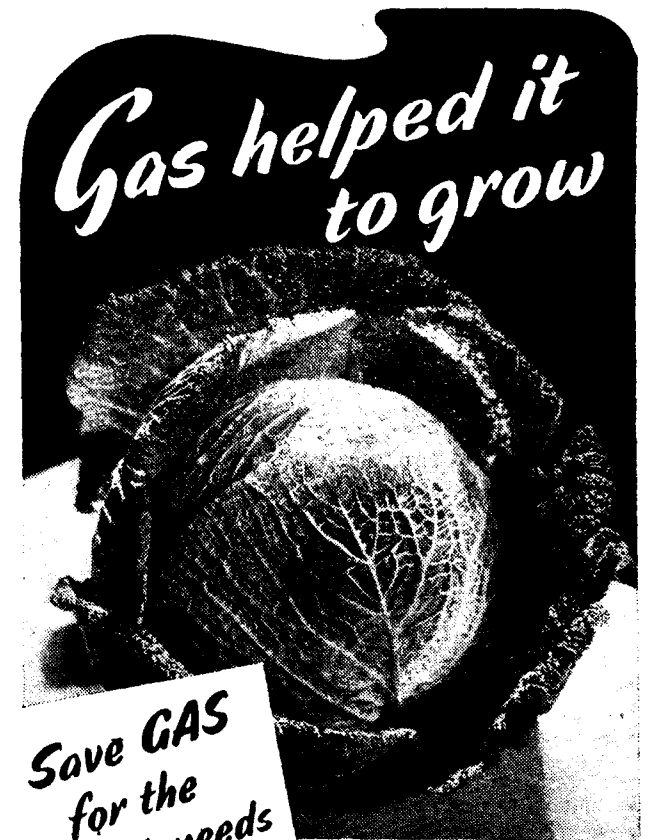
Canada's Minerals

[BY A CORRESPONDENT]

THE Dominion Bureau of Statistics at Ottawa has issued a summary of Canada's mineral production during the past year. Since 1940, these summaries have been confined to the value of production, but as the great majority of mineral prices have been stabilised around their latest pre-war levels, these data still give a rough guide to the size of the output. According to this assumption, Canada's mineral production is still rising, after having increased, almost without interruption, in the last eight years of peace, to reach a total of \$470,179,000 in 1939. In 1942, the value of the Dominion's total mineral output amounted to the record figure of \$564,200,000. This is only \$4,000,000 more than in 1941, but it should be remembered that the production of gold, normally by far the largest single item in Canada's mineral production, declined last year by some \$20 millions, owing to the compulsory closing of a number of gold mines to secure labour for base metal production.

The increased production of strategic metals has, in fact, largely offset the decline in gold production, and the total value of the metals, including gold, produced in Canada last year, at \$392,763,000, was only slightly below the total for 1941. The chief increases took place in nickel, aluminium, copper, lead and zinc, but there were also a number of other features in Canada's metal production. In 1942, the Dominion produced, for the first time in its history, metallic magnesium from domestic dolomite. According to the *Northern Miner*, Canada's leading mining journal, Canada's magnesium output has now reached a level adequate, not only for domestic needs, but also for exports. Moreover, the production of steel alloy metals was greatly stimulated last year. Canada has always been an important producer of cobalt, but, in 1942, there were important new developments in its output of manganese, molybdenum, chromium and tungsten. Mercury production has now reached a considerable size, and Canadian exports are playing an important part in filling Allied requirements of this metal, which, until the outbreak of war, was a virtual monopoly of Italy and Spain. In platinum, the Dominion now accounts for close on three-fifths of world production. As Canadian platinum is almost entirely recovered from the copper-nickel ore of the Sudbury basin in Ontario, the output of this precious metal, which has important uses in war industry, is closely linked up with copper and nickel production. The rise in production of fuels to \$90,306,000, an increase of \$6,000,000 on the year, also deserves attention. This increase is due to higher production of both coal and crude oil.

In 1943, another increase in Canada's mineral production can safely be expected, although the shortage of miners in the base metal industries may require a further cut in gold production. In the middle of last year, the Canadian Government initiated a thorough survey of its mineral deposits as a preliminary to intensive development. This survey has recently been concluded. Apart from this general production campaign, the International Nickel Company of Canada has just announced that its \$35 millions development scheme, initiated in 1940, has now reached a stage at which an increase in its nickel producing capacity of 50 million lb. over the 1940 output has become effective. The Consolidated Mining and Smelting Company of Canada, Canada's leading producer of lead, zinc, mercury and tin, also extended its capacity considerably last year.



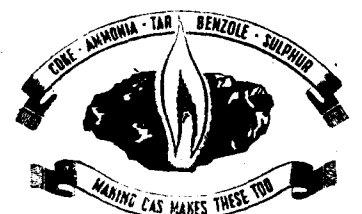
Gas contributes to our daily lives in many ways. Gas helps to win the Battle for Fuel by providing half a ton of coke from every ton of coal used in the gas works. Gas-making releases other priceless by-products, from which a thousand and one familiar articles are produced—from the tar for our roads and the flavourings for our foods to explosives, plastics and the homely aspirin tablet.

But for the Gas Industry, the land would never bear such bumper crops. Among the most important by-products of gas-making are agricultural fertilisers, 80,000 tons of which are produced every year by the Gas Industry.

Just now gas and its precious by-products are needed most for war purposes. Do YOUR bit in the Battle for Fuel by burning less gas.

HOW TO SAVE GAS

Ask for helpful pamphlets at your Gas Showrooms or from British Commercial Gas Association, 1, Grosvenor Place, London, S.W.1.



Russia at War

The Taste of Victory

RUSSIA has followed the advance of the Red Army in a spirit of jubilation and triumph. The "holiday in the Russian street," promised by Stalin in his last anniversary speech, has now come, after a long sequence of setbacks and disappointments. Last summer's losses have been almost completely made good; and the people are looking forward now to the liberation of the Ukraine. The press speaks of Kharkov and Kiev as of the next objectives; and the secretary of the Ukrainian party organisation, Khrushchev, was one of the main speakers at the first mass meetings in Stalingrad after the last shots had been fired over the city's ruins.

The man in the street probably thinks, not only about the military aspects of the offensive, but also about its economic consequences. The Red Army has liberated some of Russia's wealthiest agricultural areas, the vast granaries of the Don and of the Caucasus. Radio and press explain in detail the economic importance of every recaptured town and district; and each of these explanations sounds like a promise of immediate relief from hardship and starvation. Peasant families return to the recaptured villages from beyond the Caucasus mountains; and they bring back to their homes the cattle which were evacuated last autumn. Soviet and party organisations resume their work; and their first pre-occupation is to make preparations for the spring sowing. The railways in the recaptured areas are being hurriedly repaired and their gauge is being widened by railwaymen and technicians from the north. The rebuilding of towns and villages will be no easy matter, as the damage has been very extensive. But the authorities are resolved to let no time slip. The decrees on labour mobilisation enable them to conscript whatever labour is available; and the population is eager to get the repairs and restorations done. This may account for some of the achievements claimed by the press. It is said, for instance, that some of the regained oil-fields have already started to yield oil—although the Germans were unable to get any oil out of them during the three months of occupation.

Jubilation and Confidence

The mood of jubilation is most strikingly reflected in the homage paid to the Red Army and in the honours bestowed upon its commanders. Almost every communiqué now mentions the names of generals and colonels whose troops stormed a town or reduced an enemy "hedgehog." The names of the new marshals and generals are being given the widest publicity—a completely new feature in Russia. The grey colour of anonymity which has hung over Russian life, at least since the purges, seems to have been dissipated. A new inspiring military legend has come into being. Not a day passes without awards and medals being given to brave commanders. Ceremonies of investiture again take place within the old walls of the Kremlin. The number of divisions and corps renamed as Guards grows from day to day. On the eve of the twenty-fifth anniversary of the Red Army, all Russian officers have been ordered to sew on epaulettes which since 1917 have been forbidden and regarded as symbols of Tsarism.

As the Red Army advances so grows the feeling of self-confidence and national pride.

The Russian people [says Alexei Tolstoy, the former emigré who has reconciled himself with the new régime and is now one of its chief spokesmen] have not been spoilt by good fortune. For a thousand years our history has been the story of a stern fight for our mother earth. Sometimes life was so hard that the Russian soil itself seemed to have gone barren.

All through their history the Russian people have shown the same marvellous power of resistance which they are showing today. It astonished the world only because the world knew us so little—though, in truth, our own knowledge of ourselves was by no means complete. . . . We must aim at being the most efficient people in the world. We have everything to make this possible. The war has revealed an immense productive capacity in our land.

The Russian armies have been able to inflict these scathing defeats on the Germans before the Allies came to

their aid by a Second Front in Europe. The Second Front has hardly been mentioned recently in press or radio. The harder the Red Army can push the retreating *Wehrmacht*, the stronger may grow the confidence in its ability to achieve a strategic denouement single-handed.

This is certainly not the official attitude. In an article summing up the battle of Stalingrad, the party paper, *Pravda* has recently recalled Stalin's words: "I express the conviction that the joint military operations of the armed forces of the USA, Great Britain and the USSR in the near future will bring about a victory over our common enemy." And the paper speaks of the enemy's forces as being "broken down but not defeated" and mentions the "many difficulties that still lie ahead."

New and Old Ideas

The war has undoubtedly produced new shades in ideology. One may, perhaps, pick out two trends: one that does not depart from the party line as it had crystallised in the pre-war period and which is represented by Yaroslavsky, Shcherbakov and other party spokesmen; and one that might be regarded as the "neo-nationalist" trend, and which has been reflected in the whole set of recent military reforms. It would be too much to speak of any clear cut division. The two trends mingle and merge with each other; and the unity of party and army is personified by Stalin himself, whose rôle as Commander-in-Chief and maker of strategy is stressed. The difference between the two trends is rather a matter of emphasis. In the army, the war medals of Suvorov and Kutuzov have been ranked above the orders of Lenin and of the Red Banner; in connection with reforms in army discipline, the "Army Regulations" of Peter the Great have been recalled as the guiding principles of the soldier's conduct. The development of these shades in ideology deserves some attention. It may bear upon Russia's attitude towards the problems of post-war co-operation with the Allied nations.

It was against this background of a country which has got the first taste of victory and which hails its young and "dynamic" generals that Stalin, in his latest Order of the Day, called the Red Army to "rout the German invaders and to expel them from the boundaries of our motherland." Stalin has thus, in fact, re-defined the war in terms of a defensive national struggle. This re-definition of Russia's war aims has been further elaborated by so authoritative a spokesman as Zaslavsky. The occasion was provided by the *Washington Star* in which a generous-hearted writer presents the USSR with Bulgaria, Czechia and an outlet to the Mediterranean through Yugoslavia after the war. In its irresistible generosity the newspaper hints at Moscow's influence extending through Iran to the Persian Gulf. Ridiculing the "foolish good intentions" of the American paper, Zaslavsky warns over-zealous "friends" against helping German propaganda by attributing any such expansionist ambitions to Soviet Russia and by sharing out the alleged spheres of influence. He then goes on to quote the *Washington Star* as presenting Russia with Bessarabia.

What kept him [the writer] from presenting the USA with a big gift in the form of California or Alaska? There are still amazing people to be found who are ready to present the Soviet Union with half of its own territory such as the Baltic States. These people pretend not to know that the Constitution of the USSR has consolidated the ties of these republics with all the other republics of our Union.

What is significant in Zaslavsky's comment is the omission of Eastern Poland, although the reference to the Constitution could be applied to that country, too. Russia claims—by and large—its 1941 frontiers. It claims, according to Stalin's words, no hegemony over the Slavonic peoples. This seems to be the Soviet reply to Dr Goebbel's Bolshevik bogey. And it is at the same time a reply to the offer made in the *Washington Star* that Russia "should bring peace to the continent" and also, perhaps, to the suggestion that "we (Americans) can deal with Russians in a friendly manner even more successfully than we can with others of our close friends and associates." The Russians do not, so far, seem to have snatched at the bait put out by some American isolationists.

THE BUSINESS WORLD

Postwar Shipping

SHIPPING is Britain's biggest export industry in peace and the key to its strength in war. The question of its future transcends the sectional interests of the shipping industry. The end of the war will find the British mercantile marine in a serious plight; its size may have shrunk by as much as half; and many of the surviving ships may be worn out or obsolete. The reconstruction of the fleet will be an essential and urgent postwar task, and must be given a high degree of priority in the re-equipment of British industries. As in the past, its prosperity will be a function of its efficiency, but it will be intimately affected by the international setting, that is, by the course of world trade and by the shipping and shipbuilding policies adopted by other seafaring nations. The views of the shipowners on these problems, embodied in the Report issued this week under the fitting title of "Freedom and Efficiency" by the General Council of British Shipping, representing the Chamber of Shipping and the Liverpool Steam Ship Owners' Association, merit the closest consideration.

This country must not be afraid to say to its Allies that a strong British mercantile marine is just as necessary to it as its Navy, Army and Air Force. Not only must this be said, but the country must be prepared to defend it in argument, and to require that the Peace Settlement should include effective guarantees against a renewal of the race in subsidies which marked the pre-war period.

The Council refrains from defining how large a merchant fleet Britain should aim at after the war. This is not the time for preparing a complete blueprint of the size and composition of Britain's postwar shipping tonnage. But it may not be out of place, even now, to redefine the principles which might guide postwar policy. It may, for instance, be reasonable, on economic and strategic grounds, to accept, as a rough yard-stick, that the Empire's ocean-going tonnage should be roughly equivalent to the capacity required for carrying inter-imperial trade and one-half of the trade between the Empire and other countries. (In practice, this does not mean, and should not mean, that all inter-imperial trade and half the trade between the Empire and other countries should be reserved for Empire vessels; it may very often be more profitable to employ foreign tonnage in Empire trade and British tonnage in the trade between foreign countries.) This, in fact, was the position before the war. A "fact-finding" inquiry carried out jointly by the Chamber of Shipping and the Liverpool Steam Ship Owners' Association before the war showed that in 1936 the Empire's sea-going steam and motor tonnage represented 36.7 per cent of the world's total and carried 40.2 per cent of the world's sea-borne trade. Britain's tonnage, excluding vessels of under 2,000 gross tons, amounted to 15,084,000 gross and the Dominions' to 1,934,000 gross. In the same year, inter-imperial trade and half the trade between the Empire and other countries accounted for 19.4 per cent and 18.7 per cent respectively of the total value of the world's sea-borne trade, or, together, for some 37 per cent, almost exactly equivalent to the Empire's proportion of the world's sea-going shipping tonnage. The size and distribution of world trade may be different after the war—they are changing continuously even in peacetime—and the Dominions, especially Canada, may wish to own a larger tonnage. On the other hand, it may be advisable for Britain to hold a strategic reserve of shipping tonnage. On the whole, it seems reasonable to conclude, tentatively, that, if the former proportions of trade are likely to be restored, Britain's merchant fleet may have to be raised to about its pre-war level.

To suggest a minimum tonnage as the aim of post-war reconstruction is not to advocate paying subsidies for this purpose. The shipowners themselves are opposed to subsidies and, not unnaturally but rightly, against Government restrictions on the employment of ships, that is the creation of preserves. In fact, one of the most encouraging features of the Report is its insistence on the "fullest application of the policy of non-discrimination which underlies the

Atlantic Charter," a reflection of the confidence of shipowners in their ability to regain their position after the war by enterprise and efficiency. They do, however, call for international collaboration "to ensure satisfactory service and to maintain freight markets at a reasonable level"; and they invite the Governments of shipowning countries to secure compliance with agreements. The prosperity of the mercantile marine, they say, is essential to the improvement of the conditions of its personnel. The shipowners' dislike of subsidies and restrictions is only exceeded by their dislike of nationalisation, which, they hold, would be disastrous in shipping, which is highly individualistic and "essentially competitive." Moreover,

it is fearful to contemplate a situation where a normal incident of commercial competition will become an act of state with diplomatic reverberations.

While the Report stresses the need for "sufficient financial strength to build the best and most competitive ships," and indicates that the resources at the disposal of shipowners may not be adequate to restore the merchant fleet to its pre-war tonnage, it is admitted that these reserves may nevertheless go a long way if shipbuilding costs can be kept under control. To this end the industry has already established contact with shipbuilders. The shipowners hope that a marked rise in prices after the war may be avoided by the spreading of orders and that arrangements can be made to reduce the violent fluctuations in the demand for new tonnage after the initial replacement programme has been completed. It is suggested that this policy might involve a continuance of some licensing system "under the control of the industry," an ambiguous and dubious suggestion; but no reference is made to orders placed with British shipbuilders by various shipowners.

Shipowners attach considerable importance to the rôle of air transport after the war, and their report urges the Government to give careful thought to the effect of its air subsidy policy on shipping. Given large enough financial support to aviation, the fast passenger ship "will necessarily tend to disappear." It is tentatively suggested that collaboration between air and sea is "obviously" preferable to competition; and it is understood that a report on this subject will be issued shortly by the General Council of British Shipping. They approve of competition in their own industry, but deprecate it with their outside rivals—a human but illogical attitude.

The post-war shipping problem, however, is not merely a British problem; it is a world problem. There may be a deficiency of tonnage immediately after the war, and British shipowners recognise the need for the temporary maintenance of wartime control. Insofar as this is a deficiency of tonnage, it could be made good rapidly in the United States. Indeed, if mass-production is continued at the present rate for very long, after the cessation of hostilities, a shortage might soon be followed by an actual glut that might cause a slump in prices. The most serious shortage is likely to be in other categories, such as passenger ships and in vessels

Paid by The Prudential

Last year The Prudential paid Death Claims on nearly 500,000 policies for a total of over £10,000,000.

One in three of the persons who have lost their lives in air raids on this country were insured with The Prudential.

THE PRUDENTIAL ASSURANCE COMPANY LTD.
HOLBORN BARS, LONDON, E.C.1

specialising in the transport of meat and fruit; this can only be made good gradually. The enormous expansion of America's building capacity does not necessarily mean that the centre of gravity in shipbuilding has shifted permanently to the other side of the Atlantic. There will be no market for the millions of tons of standardised vessels

that are now being produced in order to make good the ravages of the U-boats; and, in the absence of discrimination, there is no reason to believe that British shipbuilders will be unable to launch the kind of ships that will be needed at competitive prices or that British shipowners will be unable to hold their own in competition.

Finance and Banking

Tax Transfers

The short loan position this week has been dominated by the heavy transfers of tax money which the banks were making towards the close of the week. Anticipation of this substantial movement of funds kept the banks out of the market for bills, and the discount houses, in order to finance the Treasury bills they were taking up earlier this week, were forced to seek the assistance of the official buyer. Current Treasury bill maturities were again £10 millions in excess of the payments for new bills, but, on the other hand, the banks' TDR payments, amounting to £20 millions, were £5,000,000 in excess of the nominal maturities. Towards the middle of the week, however, the credit position eased appreciably, and with a gradual revival of the banks' purchases of bills from the market no further recourse to the special buyer was needed. The special operations reported earlier in the week probably bear some responsibility for the rise of £5,775,000 in Government securities shown in the latest Bank return. Public deposits remain substantially unchanged at £8,035,000. The expansionist effect of the increase in Government securities has been neutralised to the extent of £2,694,000 by a further expansion in the note circulation, which thus appears to have returned to the secular upward trend after the seasonal contraction of January. Bankers' deposits have thus expanded by £3,078,000, and at £142,590,000 stand at a level which, in the present situation, should spell reasonable ease in the money market.

Fall in Bank Investments

The clearing bank aggregate returns for January reveal the customary contraction of bank credit following the year-end inflation reflected to the full in the previous statements. The total of deposits has fallen by £52,005,000 to £3,576,616,000. The whole of this decline is, however, fictitious, as the total of cheques in course of collection and

this moment, it seems to invite the interpretation that some banks have been selling gilt-edged in order to reinvest the proceeds during the coming Wings for Victory week, and thus ensure the "success" of that venture. The true explanation may not be so fantastic, but it provides an equally significant commentary on the banks' participation in the coming London week. The fall in investments was probably due to the fact that some banks held Indian securities vested under the Treasury order which was completed early in January. In the normal course, the proceeds of the repayments would have been reinvested immediately. Such reinvestment is probably being postponed until it can help to swell subscriptions towards the target figure of £150 millions. Last month's fall in advances amounts to £14,074,000, and gains in significance from the fact that normally advances were inclined to rise in the early weeks of the year as a result of facilities granted by the banks to meet their customers' tax payments. The fact that tax payments and the exceptionally heavy subscriptions to tax reserve certificates have been made without appreciable recourse to bank credit is further indication of the increasing liquidity of industry. The banks' holding of bills discounted remained virtually unchanged last month, but short loans rose by £3,593,000, reflecting the larger portfolios maintained by the market as a result of the banks' diffidence in buying bills during the period of heavy tax collections.

Expenditure in Canada

The new arrangements for financing Canadian supplies to the United Kingdom and other United Nations (dealt with in a note on page 204) should have a perceptible effect on the Exchequer returns and on the contemplated budget expenditure for the coming year. Hitherto, the outlay on war materials obtained from Canada has figured in full in the published totals of British Government expenditure. That was true of the period of cash purchases, which lasted as long as there were available supplies of gold and British held Canadian securities wherewith to acquire Canadian dollars. It remained true of the subsequent period when Canada took sterling for its supplies of war materials and allowed that sterling to accumulate here mostly in the form of Treasury bills. It was still true of the third phase in British-Canadian wartime financial relations, when supplies were financed by the \$1,000 millions free gift which was to last until the close of the current financial year. That sum has been exhausted some weeks earlier than was anticipated, but until the end of March it should be possible to finance the UK balance of indebtedness to Canada by using the \$200 millions placed at the disposal of this country by the Canadian Government on taking over the ownership of British Government investments in Canadian war plants. Thereafter, however, all supplies provided by Canada under the new Mutual Aid agreement will be kept outside the Exchequer returns in the same way as Lend-Lease supplies from the United States. It should be noted that the new agreement will only operate from the point at which Britain's immediately available resources of Canadian dollars are insufficient to meet its current debts to the Dominion. Those resources will be appreciably swollen by the decision of the Canadian Government to meet the whole expenditure on its rapidly expanding air force in the sterling area. The net effect of this particular decision on the Exchequer returns should be comparatively small. The UK expenditure figure already included the cost of the Canadian personnel in the RAF which is now being shouldered by the Canadian Government, but on the other hand the British expenditure in Canada met out of the dollars thus made available will also figure in the returns.

(In £ millions)

	Jan. 1942	Sept. 1942	Oct. 1942	Nov. 1942	Dec. 1942	Jan. 1943
Capital and reserves	140.3	140.3	140.3	140.3	140.9	140.9
Acceptances, etc.	106.9	90.7	90.2	92.4	93.1	94.3
Notes in circulation	1.5	1.5	1.5	1.6	1.6	1.5
Current, deposit and other accounts	3,221.8	3,358.2	3,424.3	3,471.9	3,628.6	3,576.6
Total liabilities	3,470.5	3,590.7	3,656.3	3,706.1	3,864.2	3,813.3
Cash	330.2	349.1	350.1	366.7	390.4	378.9
Cheques, balances, and items in transit	133.7	116.8	117.5	120.6	186.2	124.7
Money at call	117.6	126.8	136.1	134.6	142.2	145.8
Discounts	157.0	276.5	270.5	241.2	197.5	197.4
Treasury deposit receipts	738.5	693.0	744.0	803.5	895.5	935.0
Investments	1,007.7	1,096.7	1,108.2	1,117.4	1,120.2	1,112.2
Loans and Advances	811.8	774.4	773.0	763.0	772.8	756.7
Investments in affiliated banks	23.8	23.8	23.8	23.8	23.9	23.9
Cover for acceptances, premises, etc.	150.2	133.6	133.1	135.3	135.5	136.7
Total assets	3,470.5	3,590.7	3,656.3	3,706.1	3,864.2	3,813.3

items in transit fell by no less than £61,395,000 over the same period. The level of true deposits thus rose by more than £9,000,000 over the period covered by the last two returns. The main expansionist force was again provided by Treasury deposit receipts, which rose by £39,500,000, a movement that rather more than neutralised the customary post-balance-sheet reduction in cash and appreciable declines in investments and advances. The fall in investments amounts to £8,049,000, and is perhaps the most interesting movement revealed by the return. It is the largest decline in this item since the outbreak of the war, and, coming at

Investment

Coming Railway Payments

Stock markets have been running true to form, since the opening of the new month, and the indices for both equities and fixed interest securities already show minor falls from the January peaks. In the case of the latter, the decline began before the end of last month, but, even so, the fall to date is less than 0.22 per cent. Much more important, from the market's own point of view, is the fact that activity has fallen back, virtually to the December level. Almost the only section to show any resilience, in either prices or turnover, is that of railway stocks, where there have been fresh minor adjustments to the impending dividend announcements, of which the first appeared this week too late for inclusion. Home railway stocks have benefited more than any other section from the process of levelling down yields which has been a feature of recent months. This is, perhaps, natural, but the excitement concerning the actual dividends and earnings is difficult to excuse. Whatever the actual results may be, it is probable that they can have little reference to peacetime conditions, and it is clear that very little allowance ought to be made for existing results in any post-war settlement of stockholders' rights which may occur. It is plain that existing transport arrangements have little or no reference to the most economic form of carriage in normal times. Shortages of petrol and rubber and of labour for the maintenance of roads; the complete ban on new construction; the devotion of the motor industry to Service orders; and a number of other factors all tend to make the existing distribution of traffic between the railways and other forms of transport different from the ideal. Further, although the maintenance of full employment would be a bull point for railways, as for all forms of activity, there is no guarantee that the proportion between different types of traffic coming forward after the war will, for any extended period, be similar to that now existing. There is a very strong and growing tendency to speak, not of the railway problem, but of the transport problem of post-war years. If this means that there is to be a central plan to make the best use of all possible transport resources, that is a very desirable objective, however difficult to attain. But if, as seems to be suggested, the plan is to make the best use of existing transport resources, that is to say, to stabilise the *status quo*, the country will be saddled with a system which will, in all probability, be neither cheap nor well adapted to modern requirements. While wishing to reach a just assessment of the rights of railway stockholders, those in authority ought to take cognisance of the fact that the capital structure was built up on the assumption that the lines possessed a perpetual monopoly, which does not, in fact, exist. It ought not to be restored merely to benefit the stockholder or the existing railway servants.

No Canadian Pacific Dividend

There will be considerable disappointment among investors, who had bid up the value of Canadian Pacific common to 17½ last year, at the news that once again there is to be no dividend on this class of capital. The absentee capitalist is always liable to feel that it is easy for the board of a company to be ultra-conservative when it is at his expense, but there is no reason to see an element of such calculation in the decision of the directors not to make any distribution out of the very ample profits now assumed to be available. Actually, nothing beyond the net earnings of the railways has so far been disclosed, and it is not improbable that net receipts from steamships and hotels, two of the main ancillary businesses, will have declined. However this may be, there is no excuse for the optimism recently felt by certain investors, who have based their hopes solely on the railway figures. At last year's annual meeting, Mr D. C. Coleman gave a number of reasons why the common dividend had been passed. He said that the increased profits were derived almost entirely from wartime traffic which had no relevance to the conditions of peace; that provision had to be made for maturities which were very heavy over a period of years; and that there was no means of knowing how far competition from road and water transport would affect net earnings after the war. The implication was plainly that war profit was in part a wind-fall; that the company would have many uses for such additional resources, and that they intended to retain them. Mr Coleman argued that this policy was, ultimately, more beneficial to holders of the equity than to pay them dividends. That is a question of fact, based largely on the future decisions of a board of unknown composition. The conservation of resources is only beneficial to equity holders if there is a reasonable assurance that such a policy will, in the not too distant future, ensure them a steady return on their investment. If that time is not likely to come, it would be fairer to state frankly that the profits are being retained for the benefit of the preference capital, whose dividend might otherwise be placed in jeopardy.

Actually, in their statement announcing the passing of the dividend, the board are rather more explicit this year than last. They point out that, although during the past three years the funded debt of the company has been substantially reduced, fixed charges are still high. And they give as an indication of policy the ruling that no common dividends shall be paid until these charges are brought to something like their former level. The last common stock dividend was paid out of the profits of 1931. Fixed charges for that year were \$22 millions odd, against some

BAY HALL TRUST LIMITED.

Summary of the Directors' Report for year ended 31st December, 1942, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT:

The gross revenue amounted to £110,861. After charging Debenture Interest, Directors' Fees, Management and General Expenses amounting to £30,897, the net profit is £79,964. Adding £75,945 brought forward, the total available for appropriation is £155,909 and a dividend of 6½ per cent. is recommended which will absorb £65,897 and leave £90,012 to be carried forward.

A belated application from a Debenture holder to convert into fully-paid Ordinary shares was granted. Accordingly, in January, 1942, the Issued Ordinary capital was increased by £625 to £1,013,800 and the amount of outstanding Debentures decreased by £1,250 to £772,400.

At market prices on December 31st, 1942 (or where no market price existed at valuations by the Directors at that date amounting to £305,011), the Share and Debenture Holdings and British Government Securities had an aggregate value of £2,140,884, as compared with their book cost of £1,962,974.

CHAIRMAN'S STATEMENT:

The net profit of £79,964 compares with £70,514 for 1941; the increase of £9,450 is due to the effects of income tax. The allowance for Dominion Relief amounts to 3s. 9d. in the pound, so that the net income tax to be deducted on the 6½ per cent. dividend now recommended will be at the rate of 6s. 3d., and the dividend is, therefore, equivalent to about 8.9 per cent. less tax at the standard rate of 10s. 0d. At the end of 1942, the value of our investments showed an indicated appreciation of £177,910 over book cost. Over 98 per cent. of the investments, including British Government Securities, taken at the valuations at December 31st last, are situated in United Kingdom, South Africa, and other parts of the British Commonwealth. Similarly measured, but excluding British Government Securities, about 93 per cent. of the investments are in Ordinary stocks and shares and the balance in fixed interest bearing securities.

Copies of the full Report and Accounts can be obtained on application at the office of the Company, Princes House, 95, Gresham Street, E.C.2.

\$19,166,000 for 1930. In 1933, they were already \$24,229,000 and in 1940 appear to have reached a peak of \$25,380,715. They fell by over a million dollars in 1941 and last year's figure is not yet available. There is a substantial gulf to be spanned, but it is to be noted that the gap between the 1930 and 1941 figures of \$5,380,000 odd is only a little more than 1½ per cent on the common stock. This seems to indicate that, with net earnings at current levels, dividends are likely to be modest, even when resumed. The common stock holders have now been without any payment for eleven years. The \$25 shares touched 17½ last year, the highest since the temporary peak of 18 in 1937. Prior to the announcement, they had relapsed to 15½ and they are now at 14½, which is still more than three times the lowest level of 1940. Considerable optimism about the post-war industrial activity of Canada seems to be justified. It is more doubtful whether this will mean prosperity for Canada's railways, and still less certain that the equity stock holder will reap much benefit.

Richard Thomas Developments

The news that the consortium, headed by the Bank of England, which holds the prior lien debentures of Richard Thomas, has consented to a reduction in the rate of interest from 4½ to 4 per cent is satisfactory to the equity holders so far as it goes. The saving, added to that resulting from the further repayments, at the rate of some £270,000 per annum, amounts to something of the order of ½ per cent on the ordinary capital. What the market would like to see is, however, the total disappearance of the remaining £3,355,000 of prior lien debentures and with it the present system of control. Rightly or wrongly, it has always been assumed that the banking consortium has run the company in the interests of the tinplate industry rather than in those of the shareholders, and it is only natural that this should be resented by the proprietors, even now that they are receiving a modest return on their capital. Incidentally, the disappearance of the prior charge would bring with it the automatic reduction in the rate on the £6,800,000 mortgage debentures from 4½ to 4 per cent. As the amount of this is twice that of the prior lien stock, the relief would be proportionately greater. At the end of March last, the parent company had net liquid assets of some £3,500,000 and the group of £5,000,000 odd. It may be recalled that the company lost its independence because the finance raised was not sufficient to complete the programme. There is no clear indication as yet that the accumulation of reserves has been sufficient to render the group fully independent of the money then put into it, but a more rapid repayment of the prior lien stock would seem possible. Richard Thomas is likely to prove a test case as to the intentions of those in authority towards the independence of British industry. It is possible to make out a very strong case in favour of the original policy. If Britain is to achieve a higher standard of living after the destruction caused by the war, it can only be by an energy and adaptability, of both capital and labour, on a scale far above pre-war levels. Whatever the faults of the scheme, Richard Thomas set out to equip one section of industry with the most modern plant available. Instead of rewarding that energy and initiative, the country has penalised it, at least to the extent of placing the group under official tutelage.

Gas Dividends Resumed

The experience of suburban and most provincial gas companies, outlined in an article in *The Economist* of last week, had prepared shareholders in the London companies for some improvement in their lot. Thus, there was no surprise when the Gas Light and Coke and South Metropolitan companies announced, in addition to full preference payments for the whole of last year, a resumption of dividends at the rate of 1 per cent on the ordinary capital of both concerns. In the case of the former, this decision entails resumption on the 3½ per cent maximum stock with a payment of 1½ per cent. Compared with this, it might be thought disappointing that the Commercial Gas Company should be unable to resume payment on any class of share capital. Conditions in eastern London, where its main business lies, are, however, evidently less favourable than those prevailing elsewhere. Both Gas Light and Coke and South Metropolitan had postponed consideration of preference dividends until the end of the year, a clear indication that the possibility of payment depended largely on the activities of the Luftwaffe. In practice, these have proved less damaging than might have been expected, and it is the general diffi-

culty of obtaining supplies of suitable coal and labour, coupled with the inadequate margin between costs and selling prices, which is the main cause of continuing depression in the London section of the industry. Last spring, the chairman of the former of these concerns went so far as to say that, even after the increases recently granted, the gas companies were subsidising the cost of living. Apparently, however, the absence of heavy bombing, the grant of some relief in prices, and the return of population, have had some effect, although in the absence of accounts it is impossible to say how much. The latest previous payment of Gas Light was 2½ per cent for 1940, comparing with 5.6 per cent pre-war, while for South Metropolitan the corresponding figures are 2 and 5½ per cent, respectively. The price of £1 stock units of the former was virtually unchanged on the news at 17s. 6d., while the quotation for the latter moved only fractionally to 76½.

Company Notes

Woolworth Accounts

The setback to trading profits of F. W. Woolworth in 1942 from £6,872,720 to £6,093,640 is greater than that suggested by the decline in the net figure discussed in a note on the preliminary statement in *The Economist* of January 30, 1943. The relatively small drop in published net profits is due to a reduction in war damage contribution from £105,988 to £28,383. The balance sheet shows no great change in the financial position. There is a fall in cash holdings of some £2,000,000 to £4,862,981 and in Government securities of rather more than this amount to £1,408,863 which have financed the acquisition of £4,000,000 of tax reserve certificates. Creditors, including tax, are more than £600,000 lower at £5,579,169, but there is a small rise in debtors. The decline from £4,910,589 to £4,797,191 in stocks, of which a greater proportion than in the previous year is subject to purchase tax, certainly understates the reduction in volume. Net liquid assets are very slightly higher at £9,831,063 against £9,517,963. The chairman, Mr W. L. Stephenson, points out that the fall in profits is due, both to the reduction in supplies and to the reduction in selling space—for which presumably enemy action is responsible. There is no doubt that the labour shortage is also acute. Mr Stephenson states that a number of branches are entirely managed by women and that only 15 per cent of the pre-war female staff remains with the company. In the circumstances, the decline in profits appears to be inevitable. It is a matter for congratulation that the management has met the position with a determination to continue to build up liquid resources. The reduction of equity payments has been by no means drastic and the concern remains in a position to undertake the necessary work of reconstruction when the war is over. The 5s. ordinary stock at 57s. 9d. ex dividend yields £4 6s. 6d. per cent.

English Electric Profits

The rise in net profits of *English Electric* in 1942 from £362,604 to £407,560, struck after tax and depreciation, reflects the acquisition of D. Napier. The directors state that the net figure includes the 7½ per cent dividend receivable from D. Napier in respect of 1942; that is to say, at least, £16,380 net. The new *English Electric* ordinary capital, which is now increased from £1,922,513 to £2,317,182, was offered in exchange for the D. Napier ordinary capital under the terms of the arrangement of November 30th last, but ranked for dividend as from January 1, 1942. The directors announce the distribution of 10 per cent on the increased ordinary capital of *English Electric*, requiring £231,718 gross against £192,251. This means, as anticipated, a return to Napier shareholders who accepted the offer of 8 against the 7½ per cent previously received. After meeting the preference dividend, equity earnings are up from £288,774 to £333,730, representing 18.8 per cent on the increased capital against 20.0 per cent on the old capital. There is no information in the preliminary statement about the allocation of the surplus, but it is clear that the concern would be able to repeat the £100,000 transfer to free reserves allocated in the three previous years without depleting the carry forward. Last year, the acquisition of the D. Napier interests had, of course, no influence on the earning capacity of *English Electric*. In the current period, D. Napier output should be substantially increased, but it is far from clear how the earnings of that company, or of *English Electric*, permissible under EPT legislation will be affected. The £1 ordinary stock of *English Electric*, at 47s. 6d. ex dividend, yields £4 4s. 2d. per cent.

Thomas Tilling Record Profits

In the year to December 31, 1942, *Thomas Tilling*, the important road transport holding concern, earned record profits, struck after war damage, depreciation and tax, of £557,208 against £546,464. Equity earnings amount to £518,892 against £507,996, representing 15.2 against 14.7 per cent, so that it is possible to place £100,000 to general reserve, and to raise the carry forward from £167,305 to £174,197 after repeating the customary 10 per cent payment on ordinary capital. The disclosed profits for the year include no payment from the newly formed subsidiary, *Tilling Motor Services*—one of the two successor companies under the recent reconstruction to the former subsidiary, *Tilling and British Automobile Traction*. *Thomas Tilling* has, however, received a final dividend from *Tilling and BAT* in respect of 1941, and a payment in lieu of the 1942 interim. The reconstruction is reflected in the balance-sheet by the disappearance of holdings in associated concerns of £2,114,777, and their replacement by a holding in *Tilling Motor Services* of £1,998,414 at par. In order to list this holding at par, it has been necessary to transfer an unspecified sum, apparently £26,543, from general reserve. There is a decline in net loans from subsidiaries from £696,110 to £619,041, and a rise in the total of reserve and surplus from £1,767,896 to £1,848,246. Otherwise, the balance-sheet shows little change. The chairman, Sir J. Frederick Heaton, points out that the structure of the group would preclude a consolidated statement from being as informative as it would be in the majority of cases. It remains true, however, that such a balance-sheet would still provide stockholders with more information than they receive from the existing accounts. The directors are optimistic regarding the benefits of the reconstruction, and it is possible that, with the greater operating efficiency which can now be secured, there may be a further advance in profits. The chairman again draws attention to the extent to which vehicles have been successfully adapted to the use of producer gas. Even under present conditions, all-in costs do not greatly exceed those of running on diesel oil, and there is no difficulty in maintaining previous timetables. Sir Frederick pointed out that the profitability of producer gas after the war depends on the relative prices of coal and liquid fuel. The development of the use of producer gas offers an important potential market for home produced coal, if it can be marketed at a competitive price. The £1 ordinary stock, at 54s. 3d., yields £3 14s. 5d. per cent.

Linen Thread Progress

Profits of *Linen Thread* for the year to September 30th rose by nearly £6,000 to £254,366. Depreciation received £5,276, against £5,526, and war damage required the negligible sum of £176, against some £2,000, so that the decline in equity earnings is due solely to the provision of £18,494, against nil, for reserve against war losses. The total of this fund is now raised to £200,000 and is stated by the directors fully to cover investments in subsidiaries now in enemy occupied territory. The decline in equity earnings from £120,001 to £109,420, representing 7.3 against 8.5 per cent, is not so sharp as to endanger the cover for the 6 per cent dividend, distributed throughout the last decade, and the surplus raises the carry forward from £210,256 to £220,676. The cause of the rise in profits is not immediately clear. As the concern's main business is that of a holding and finance company, the balance-sheet throws little light on trading conditions. A switch of some £225,000 from net advances into holdings in subsidiaries suggests that a permanent expansion is envisaged. Stocks of the parent show a modest recovery from £70,966 to £95,184, which may reflect better home production and some relief from supply difficulties. The stock position is, however, still very low. Net liquid assets show a very moderate rise to £1,548,000, debtors, investments and creditors all being appreciably lower. There is also a transfer of £500,000 from cash to tax reserve certificates, a feature which appears in balance-sheets with increasing frequency. There is a substantial official demand for the products of the group on both sides of the Atlantic, so that a fair turn-over seems assured. A regular demand also exists for any normal production permitted by lack of supplies of material and labour. The £1 ordinary stock, at 28s. 9d. ex dividend, yields £4 3s. 6d. per cent.

Steady Investment Trust Earnings

The first batch of investment trust results for 1942 show no startling change from the profits earned in the

previous year. There are individual fluctuations, but the average result shows that income has been steadily maintained and that expenses are not in general higher. The results of seven leading trusts are analysed in the following table. Of these, four showed an increase in total disclosed profits, the most substantial improvement being realised by *Scottish American Investment Trust*. Of the three trusts which show a decline in income there is no case where the setback exceeds £3,000, and in one case, that of *Debuture Corporation*, the reduction in tax liability is sufficient to offset the fall in profits. Thus, equity earnings are actually higher at 11.7 against 11.1 per cent. In each case, equity dividends are the same as those paid in the previous year, although no restoration is contemplated by the two trusts, *Great Northern Investment Trust* and *London Stockholders*, which reduced their payments in

Trust and Date of Accounts	Total Disclosed Profits	Earned for Equity		Dividend	Depreciation of Investments	February 10, 1943	
		Amount †	Rate			Price £100 Stock	Yield
<i>Debuture Corporation</i> (Dec. 31):—	£	£	%	%	%	Ex Div.	£ s. d.
1940	233,055	71,496	11.9	10	ND	192½	5 3 11
1941	218,915	56,551	11.1	10	ND		
1942	216,807	59,929	11.7	10	ND		
<i>Great Northern Investment Trust</i> (Nov. 30):—						92½	5 8 1
1940	166,039	30,840	8.8	6	20.5		
1941	159,523	21,335	6.9	5	5.5		
1942	164,728	24,228	7.8	5	†		
<i>London Stockholders</i> (Dec. 31):—						Not Quoted	
1940	36,210	7,442	3.3	2	23.5		
1941	37,948	9,337	4.4	2½	17.0		
1942	35,053	7,844	3.3	2½	12.0		
<i>Omnium Investment</i> (Dec. 31):—						55½	6 6 1
1940	120,089	21,987	3.5	3½	ND		
1941	119,154	21,802	3.5	3½	ND		
1942	119,676	22,544	3.6	3½	ND		
<i>River Plate & General</i> (Dec. 31):—						189½	5 5 6
1940	59,823	29,850	11.5	10	ND		
1941	58,556	29,405	11.4	10	ND		
1942	58,857	26,694	12.4	10	ND		
<i>Scottish American Investment</i> (Dec. 31):—						*29½	4 16 6
1940	299,240	47,312	11.4	7	13.4		
1941	287,207	36,966	10.3	7	6.0		
1942	295,335	39,368	10.9	7	†		
<i>Second Scottish Eastern</i> (Nov. 30):—						81½	6 2 9
1940	78,323	12,977	7.3	5	ND		
1941	78,125	12,260	7.8	5	ND		
1942	77,299	9,622	6.1	5	ND		

† After tax on dividends, except for *London Stockholders*, *Omnium* and *River Plate* in 1940 and 1941.
N.D.—Not disclosed. † Undisclosed appreciation. § Adjusted for income tax in carry forward. * £1 stock.

1941. The stability of earnings is accompanied by an apparent improvement in the market value of investments. The three trusts which provide an estimated valuation of investments all show a substantial further improvement last year, and in two of the three cases, *Great Northern* and *Scottish American*, there is a change from depreciation to appreciation in terms of balance-sheet valuation. In the circumstances, it is highly unfortunate that the remaining trusts still withhold this vital information from stockholders. In only one case, that of *Omnium*, whose directors state that depreciation exceeds the total of reserve and carry forward at £82,053, is a serious disparity probable. One further illuminating symptom is provided by this group of accounts. In at least two cases there is a switch to majority holdings of equity shares. There is no evidence to show whether investment trusts in general are shifting the balance of their holdings in favour of equities. But such a policy would be consistent with the struggle of managements to maintain monetary income in the face of higher taxation, and real income in the event of any future measure of inflation.

FIVE THINGS that RAPIDISM will do for you:

It will (1) create will power; (2) perfect your memory; (3) increase your self-confidence; (4) train you to plan and organise; (5) enable you to realise your ambitions.

Write now for free Booklet to:

THE RAPIDISM INSTITUTE,
563, TUITION HOUSE, London, S.W.19.

Industry and Trade

Coal Supplies

During the six four-weekly periods to January 23rd for which figures are available, the production of coal was only once above the level of the corresponding period in the previous year. The returns for the four weeks ended January 23rd again compare unfavourably with the figures for the preceding year; the average weekly output of saleable coal was 3,813,400 tons, against 3,824,800 tons in 1942. Only three districts—South Derbyshire, Leicestershire and Somerset—qualified for the bonus, compared with twelve in the four weeks ended December 26th. Even the Ministry of Fuel and Power, in its purely factual monthly statement, describes the January results as disappointing, especially as output a year ago was hampered by unfavourable weather. The lag in output has been attributed to the poor start made in many districts after the Christmas holidays, and to a seasonal increase in absenteeism caused by sickness. In spite of the unsatisfactory response to the call for higher output during the past six months, there has been no serious shortage of coal so far this winter. In fact, it is understood that stocks are no smaller than a year ago. If, as was forecast last summer, the volume of industrial consumption has increased, the explanation must be sought, at least in part, in a reduction in non-industrial consumption. The "save fuel" campaign, in other words, has not been ineffective. In January, for example, the consumption of coal for the manufacture of gas and electricity was actually slightly below the previous year's figures, despite the reported expansion in industrial demand. The mild weather in January has no doubt eased the position—indeed, the effects of severe, instead of mild, weather in the winter months on distribution and consumption might have been disastrous. After the song and dance last summer about rationing and reorganisation, we have, by the grace of God, muddled through surprisingly well so far. One small factor which has been of some assistance has been the growing contribution to coal supplies from opencast mining, which is not included in the returns of the output of saleable coal. No figures have been issued, however, showing the change, if any, in exports and in the quantity of coal shipped for the use of steamers. The fact that a serious shortage has so far been avoided is, of course, no ground for complacency—though there are signs of this at the Ministry. In particular, the technical reorganisation of the industry, so loudly trumpeted by the Government early last summer, should be begun in earnest, in order to secure an increase in output per miner later this year—when another, and perhaps much less benign, winter is due and the manpower shortage may be still more serious.

Industrial Research

It has been estimated that whereas the Soviet budget for science represents one per cent of the national income, America's is only three-tenths and Britain's one-tenth of one per cent. These proportions were quoted by Mr P. Dunsheath, chief of the research department of Henley's Telegraph Works, during his recent lecture on industrial research before the Royal Society of Arts. The importance of research as a means of ensuring economic progress and increased productivity is very great. By far the greatest contribution is made by industry in its own laboratories; the best of these are well staffed and equipped. Some industries already spend very large sums each year; the electrical industry, for example, is estimated to spend at the rate of £1,000,000 a year. Not unexpectedly, progress has been most marked in the larger concerns. The Government, through the Department of Scientific and Industrial Research, has initiated research on a national scale; the universities have made many important contributions. But, while substantial progress has undoubtedly been made during the past twenty-five years, the funds and intelligence at present devoted to industrial research are far from adequate, and there is probably not enough contact between the various research organisations. Mr Dunsheath suggested the establishment of a co-ordinating secretariat to—

maintain a comprehensive and accessible record of all researches in progress and completed, so as to bridge the gap between discovery and application, and shorten the present long period which elapses between the birth of knowledge and its availability for use.

Mr Dunsheath's suggestion is a sound one. But apart from the need for such a central organisation, the actual resources devoted to research might with advantage be increased if Britain is to remain in the forefront of industrial nations after the war.

Campaign against Fire Losses

The estimated cost of fires arising from ordinary causes (i.e., excluding outbreaks due to enemy action) amounted in 1942 to £12,470,000, compared with £10,252,800 in 1941 and £8,780,800 in 1938, the last pre-war year. These figures are arrived at on the basis of fires in Great Britain and Eire involving a direct loss of £1,000 or more, and adding 60 per cent to cover the large number of smaller fires; no allowance is made for consequential loss. The total for 1942 is less alarming than appeared likely at the end of June, when losses were running at nearly twice the level of the previous year, but the figures give no grounds for complacency. In pursuance of the policy announced in October, the Fire Offices' Committee, the association of insurance companies transacting fire insurance on tariff lines, has now launched its countrywide publicity campaign for the reduction of fire waste. The first step in this campaign has been the preparation of a handbook with the caption, "Fire—Hitler's Ally," now being distributed to works managers. The introduction to the handbook by Mr Hinshelwood, the chairman of the Committee, emphasises that the monetary loss by fire represents only a part of the true loss to the country from this cause. Stocks and machinery, if replaceable, have to be renewed at the risk of men's lives and of shipping; a factory burnt out means the loss of its productive capacity, maybe for many months; houses and other buildings that have to be restored or replaced involve the diversion of labour and materials from other essential work; in fact, any fire helps the enemy in his purpose and hinders us in ours. Fire insurance companies will give technical advice on measures for preventing and limiting fires, but it is the individual who, by the exercise of vigilant care, can do most to remove this drag from the national war effort. The handbook details features for managerial attention and reproduces in colour a series of posters, full-sized copies of which may be obtained by works managers from their insurance companies. Small informal committees of insurance branch managers have been formed in all important towns, and every branch office and principal agency will be a centre for the dissemination of fire prevention information.

Industrial Caterers

The Minister of Labour's refusal to apply the Essential Work Order to canteen workers employed by industrial caterers seems a little puzzling. The application for scheduling canteen staffs in essential war factories is not a one-sided demand but has been made by the Joint Industrial Council which was set up in January, 1942, and consists of the National Society of Caterers to Industry, on the one hand, and the National Union of General and Municipal Workers and the National Union of Distributive and Allied Workers on the other. In a letter to the Joint Industrial Council, Mr Bevin expressed the view that "final responsibility for canteen staff ought to rest with the principal employer in the factory," and suggested that the solution lay "in an agreement over a wide area of industry with the principal employers as to the conditions, including wages, to operate in canteens." In reply to a question in Parliament on November 19th, he said that there were "no regulated conditions, no rates for the job." But there is, in fact, an agreement on wages and hours in regard to canteens operated by industrial caterers. An agreement was reached in July, laying down minimum rates of wages for factory canteen workers and a working week of 48 hours (the details were reported in *The Economist* of August 8th), between the Caterers to Industry and the NUG & MW and NUDAW, the Transport and General Workers' Union not being a party to the agreement. As from January 18,

1943, the rates have been increased by from 3s. to 5s. a week, according to the type of work. The National Society of Caterers to Industry covers the majority of "outside" catering employers; it employs some 20,000 workers and is said to serve about 2½ million hot meals a day. According to the latest available figures, 44½ million meals per week are served in all industrial canteens, so that it can be seen that industrial caterers occupy a place of considerable importance. Whether it is desirable or more efficient for a firm to employ outside caterers or to manage its own canteen is an entirely different matter. Industrial canteens are properly regarded as vital to the war effort, and the difficulty of obtaining and retaining staff has probably hindered their development. Where canteens are operated by factory committees and by a manager appointed by the firm itself, the workers in the establishment, including canteen staffs, are automatically scheduled if the factory is engaged on essential work. Mr Bevin, in his speech during the catering debate, showed that he is looking at the matter from the catering trade as a whole, but to apply the Essential Work Order now to staffs employed by outside caterers in scheduled factories would not necessarily prejudice either the long-term measures or the interim arrangements he forecast for improving the wages and conditions of the employees.

Dearer Newsprint

On February 8th the price of newsprint was increased by 30s. per ton, the reason given by the Ministry of Supply being an increase in costs. This raises the "controlled" price for standard weight newsprint to £32 5s. 0d. per ton and the "equalised" price to £31 12s. 6d. per ton (for the sake of uniformity the prices of imported and home-produced newsprint have been "equalised"). A record of changes in prices since February, 1940, is given in the table below:—

Date of Change	Controlled Price*		Equalised Price		Extra Chargeable for Lightweight Paper†
	£	s. d.	£	s. d.	£ s. d.
Feb. 29, 1940	21	10 0	...	...	...
May 27, 1940	22	11 6	22	10 0	...
July 1, 1940	24	0 0	24	0 0	...
Oct. 26, 1940	28	10 0	26	0 0	...
Jan. 1, 1942	28	15 0	26	0 0	...
April 13, 1942	30	0 0	28	0 0	...
Aug. 1, 1942	30	0 0	29	0 0	1 13 0
Oct. 1, 1942	30	15 0	30	2 6	1 17 6
Feb. 8, 1943	32	5 0	31	12 6	1 17 6

* Basic control price for standard weight newsprint, 14½ lbs. demy.
† 14 lbs. demy.

The increased price will be spread over no less than 38,000 newspapers of four pages each, the number produced per ton of newsprint. It would add about £60 a day to the paper bill of a four-page daily with a circulation of 1,500,000 copies.

Farm Workers' Conditions

Two important steps in the direction of improving agricultural workers' conditions have recently been announced. In the first place, the Central Agricultural Wages Board has agreed that farm workers shall have four days paid holiday a year and four statutory holidays. Secondly, the Ministry of Health is introducing a scheme for building 3,000 cottages. Work is to start in April, and it is hoped that most of the houses will be completed by the harvest time. The construction and management of the houses will be the responsibility of the rural district councils, which will select the sites in co-operation with the County War Agricultural Committees. A model plan for three-bedroomed houses, with living-room and parlour, has been produced by the Ministry's Central Housing Advisory Committee, and it is understood that wherever practicable water and electricity will be provided, and if this is not immediately possible, it could be done in the post-war period. The rents of the new houses will work out at about 12s. to 13s. 6d. a week, including rates, for houses with parlours; those without parlours will be slightly cheaper.

Though the standard of accommodation offered will be better than that in most rural areas at present, these rents are considerably higher than the present level of farm workers' rents—in most villages cottages are rented at from 3s. to 5s. a week—and a labourer who is earning no more than the statutory minimum wage and has a family to support may be unable to afford one of the new houses, if the minimum wage remains at its present level. Nevertheless, the decision to provide farm workers with holidays and with better houses will be generally welcomed, as an indication of the Government's desire to improve the life and conditions of agricultural workers. They also show that it is not necessary to wait until the war is over to initiate measures of essential reform.

Gas and Electricity

In January, for the first time since the launching of the "save fuel" campaign last summer, the quantity of coal consumed in the production of gas and electricity showed a reduction from the figures for the corresponding month a year earlier. Recent changes in the consumption of coal are given below:—

TREND OF COAL CONSUMPTION IN THE MANUFACTURE OF GAS AND ELECTRICITY

(Percentage increase over corresponding month of previous year)

	Gas %	Electricity %
1942—April	11.0	12.0
May	9.3	10.4
June	8.6	9.7
July	6.5	7.2
August	5.3	6.6
September	3.0	5.6
October	1.3	5.0
November	1.8	4.1
December	2.1	1.3
1943—January	0.8	5.4

As industrial consumption of both gas and electricity is stated to be well above the level of a year ago, their use for non-industrial purposes has no doubt shown a decline. It is equally reasonable to assume, however, that the mild weather, especially in January, has been an important factor in the reduction of fuel consumption for heating purposes.

Potash Supply Changes

The Allied potash supply position is far better than it was during the last war, when this valuable fertiliser was almost unobtainable. Until 1919, Germany had a monopoly of supplies. The United States, Russia, Palestine and Spain have become important producers, and some other countries are developing their potash production. Among the newly developed deposits, the Russian mines in the Urals are probably the most important; while those in Palestine (the Dead Sea) are perhaps the cheapest to exploit. In Spain output (chiefly in Catalonia) had been adversely affected by the civil war, but production has been resumed on a substantial scale. The United States, a decade ago, was the world's largest potash importing country, but has now become an exporter of these fertilisers. The foundations of the United States potash industry were laid during the last war. From an output under 5,000 short tons of crude potash salts, with a K₂O content of under 2,000 tons in 1915, United States production, which is largely concentrated in California, Maryland, New Mexico and Utah, rose to a pre-war record of 534,945 short tons containing 316,951 tons K₂O in 1938. Since then, according to statistics published by the U.S. Bureau of Mines, another steep rise has taken place, bringing the 1941 output to no less than 986,458 short tons of crude salts with a K₂O content of 524,875 tons. Already in 1940 the United States produced more potash than it needed, and since then has had a regular export surplus. This year another increase in United States production is expected, so that Allied supplies of this vital material are not unsatisfactory. The rise of the extra-German potash production is not only of vital significance for the Allies during this war, but it will also prove of great benefit to international agriculture in future, as it will prevent the German cartel from dictating world supplies and prices.

COMPANY MEETINGS

GENERAL MORTGAGE BANK
OF PALESTINE, LIMITED

INCREASED PROFITS

MR. S. HOOFIEN'S REVIEW

The twenty-first annual general meeting of the General Mortgage Bank of Palestine, Limited, was held, on the 7th instant, at the bank's offices at Tel-Aviv.

Mr S. Hoofien, M.B.E. (the chairman), in putting the directors' report and accounts for the year 1942 before the meeting, said that results had again been very satisfactory. Although there was little, if any, new business through the virtual absence of all private building, the balance of profit was somewhat in excess of last year, in spite of considerably increased provision for income tax, and larger expenditure owing to cost-of-living allowances.

Arrears were again lower than in the previous year. All arrears of interest were put to reserve and did not appear in the profit and loss account.

The liquidity generally prevailing in the country had favoured punctual payment of rents, especially as only tenants taking care not to get into arrears enjoyed the protection of the Rents Restriction Ordinance.

No damage of any importance had been caused to borrowers' property through enemy action.

ACCUMULATION OF FUNDS

During the second half of the year the accumulation of funds in the bank's hands had encouraged the directors to offer loans in replacement of private mortgage loans which had matured, but advantage was not taken of this offer in sufficient measure to counterbalance the continuing accumulation of funds. The directors did not regret this strengthening of the bank's cash position, as it would enable them to enter the field armed with sufficient means as soon as circumstances were again favourable to an active lending policy. Against such loss of

earnings as this temporary redundancy of liquid means involved, amply sufficient provision was available.

The chairman then dwelt on the various methods which the bank applied to strengthen its position so as to enable it to play, in the post-war period, the part incumbent on it, particularly in view of the fact that the bank enjoyed a virtual monopoly in its field.

There had been the usual liberal allocation to the contingencies fund, and after making provision for arrears of interest and income tax liability, it had been found possible to add a further £15,000 to the reserve fund, which now stood at £130,000. It was proposed to pay a final dividend of 4½ per cent. on the ordinary shares and 3½ per cent. on the preference shares, thus bringing up the total dividends to 7½ per cent. and 6½ per cent. respectively.

The report and accounts were unanimously adopted.

F. W. WOOLWORTH AND
COMPANY, LIMITED

A GRATIFYING RESULT

The thirty-fourth annual general meeting of F. W. Woolworth and Company, Limited, will be held, on the 19th instant, in London, and the following are extracts from the statement by the chairman, Mr W. L. Stephenson, circulated to the stockholders with the report and accounts for the year ended December 31, 1942:—

Our company has operated under greatly increased difficulties. The further restrictions on the manufacture of consumer goods, and the increasing and proper demands on both labour and materials for war purposes, has quite naturally had its direct effect upon your business, as well as on all other distributive trades.

The net profit for the year's operations at £5,699,822 is £704,937 lower than in the previous year, and this is directly caused by reduced supplies of merchandise and continued reduction in selling space. After consideration of all the factors which have influenced the past year's trading, we can

feel very gratified with the result obtained. The cash bonus of 3d. per unit has been omitted, with the result that we have been able to maintain our balance carried forward and have added to it the small amount of £18,986.

The financial stability of your company is of first consideration with your directors. Your directors' policy has been to add to the liquid reserves of the company, and in these very difficult times it is heartening to know that we shall have this accumulation of reserves available for post-war purposes.

Your company will need its carefully built-up reserves to re-create its distributive depots on the most modern lines, and to collaborate to the fullest extent with manufacturers in the production of newer and better goods, and to provide an improved service to your millions of customers.

WANDSWORTH AND
DISTRICT GAS COMPANY

The annual meeting of the Wandsworth and District Gas Company was held, on the 9th instant, on the company's premises at Wandsworth.

Mr Frank H. Jones, M.Inst.C.E. (chairman and managing director), said that it was a matter of regret to the directors to find in May last that it had become necessary to increase the price of gas by 1.5d. per therm. That had been done after the Ministry of Fuel and Power had considered all the working details of the company and agreed that such an increase was fully justified. Their gas, in price, still compared favourably with the rest of London, and provided a fuel that was economic and indispensable to the consumer, whether domestic or industrial. Moreover, its by-products were invaluable to the nation both in peace and in war.

In conclusion, after paying a tribute to the loyalty, skill and application of their staff in these very difficult times, he said that proprietors would have noticed with pleasure that it was recommended that the dividend on the ordinary stock should be increased as compared with that paid for the previous year.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

The decline in turnover in the markets continues, the number of markings having now fallen to the level at the end of last November. In the absence of selling, however, quotations have fluctuated narrowly, with small losses predominant in many sections. The gilt edged market attracted little interest, and in the absence of support, a general easing of quotations, ranging from ½ to 1, was registered on Tuesday. Chinese bonds rallied after last week's setback, and elsewhere in the foreign bond market Chilean stocks were quietly firm. Both Brazilian and Japanese loans were easy, while the 7 per cent German Potash bonds lost a point at the reopening. With the approach of the dividend announcements, buyers were attracted to LMS and GW ordinary issues, but apart from point gains for these, activity in the market was light, other movements being without significance. Further appreciation of the Argentine companies' expenses occasioned a general decline in all classes of stock, losses ranging from ½ to 2 points. A sharp fall of 1½ for the Canadian Pacific equity reflected the market's disappointment at the passing of the dividend.

Despite the prevailing dullness in some sections of the industrial market, the

undertone remains fairly steady, while occasional improvements reflect the continuance of selective buying. Thus, a sharp rise of 2s. for Courage overshadowed everything else in the brewery section, but there was little of note in tobacco shares. Rather less interest than of late was displayed in the motor and aircraft section, most issues fluctuating narrowly. Lambert Bros. was outstanding in the heavy industrial group, the equity rising 2s. on steady support. The textile section displayed weakness in the earlier part of the week, but later a slightly steadier tone became apparent, although earlier small losses were not recovered. Shipping shares were idle. Some selling of Brazilian Traction led to a total decline of ½, but International Nickel, in contrast, were firm on the dividend. Miscellaneous issues followed the general tendency. Thus, while Ransome and Marles were firm, Turner and Newall and Murex, among many others, fell back, the former losing 1s. 6d.

Light Cape support in the kaffir market exerted a negligible influence on quotations, both developing and dividend-paying mine issues moving within narrow limits. Activity in the rubber and tea market was at a minimum, and with the further falling off in support scattered losses were registered in both markets. In common with other sections, oil shares were little bought, although occasional support sufficed to keep prices steady. VOC were unchanged on the publication of the Petroleum Bill's proposals to control prospecting.

"FINANCIAL NEWS" INDICES

1943	Total Barings Day List	Corres. 1942	Security Indices	30 Ord. Shares	20 Fixed Int.
Feb. 4	4,670	2,987	97.1	136.6	
" 5	4,616	2,779	96.9	136.6	
" 6	5,738	2,580	96.8	136.6	
" 7	4,799	2,869	96.8	136.5	
" 10	4,822	2,937	96.7	136.5	

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1942: highest, 93.7 (Dec. 31); 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

ANTICIPATION of a technical correction to the continued upward trend, coupled with some uncertainty regarding the position in the Solomon Islands, occasioned some irregularity on Wall Street. Although light selling and continuous profit-taking were fairly well absorbed, intermittent support was insufficient to prevent widespread declines. Early this week, however, a stronger tendency was evident, and this was justified by more definite news from the Pacific.

Total share dealings: Feb. 4, 795,000; Feb. 5, 875,000; Feb. 6*, 500,000; Feb. 8, 727,000; Feb. 9, 924,000; Feb. 10, 1,495,000.

* Two-hour session only.

(Continued on page 223)

GOVERNMENT RETURNS

For the week ended Feb. 6, 1943, total ordinary revenue was £104,998,000, against ordinary expenditure of £111,045,000, and issues to sinking funds of £910,000. Thus, including sinking fund allocations of £10,821,904, the deficit accrued since April 1st is £2,464,929,000, against £2,351,386,000 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, 1941 to Feb. 7, 1942	April 1, 1942 to Feb. 6, 1943	Week ended Feb. 7, 1942	Week ended Feb. 6, 1943
ORDINARY REVENUE					
Income Tax	913,000	564,096	679,820	53,959	60,796
Suc-tax	78,000	54,927	49,839	5,460	4,980
Estate, etc.					
Duties	90,000	75,648	78,418	2,147	1,676
Stamps	15,000	11,013	11,630	120	30
N.D.C.	18,154	24,801	410	1,054	
E.P.T.	425,000	209,204	290,661	5,747	7,860
Other Ind. Rev.	1,000	477	630	10	120
Total Ind. Rev.	152,2000	933,519	1135,799	67,853	76,516
Customs	438,295	310,726	387,292	10,279	12,136
Excise	366,705	286,700	370,500	11,900	13,100
Total Customs & Excise	805,000	597,426	757,792	22,179	25,236
Motor Duties	34,000	36,790	27,125	954	786
Canadian Govt. Contribution	225,000		224,719		
P.O. (Net Receipts)	10,000	11,850	12,100	850	500
Wireless Licences	4,300		3,830		
Crown Lands	800	830	870		
Receipts from Sundry Loans	5,000	3,009	3,225		
Miscell. Receipts	21,000	70,455	83,809	965	1,960
Total Ord. Rev.	262,7100	1653,879	2249,269	92,801	104,998
SELF-BALANCING P.O. & Brdcastg.	102,523	86,850	88,400	1,650	2,000
Total	272,9623	1740,729	2337,669	94,451	106,998

Expenditure	Estimate, 1942-43	Issues out of the Exchequer to meet payments (£ thousands)			
		April 1, 1941 to Feb. 7, 1942	April 1, 1942 to Feb. 6, 1943	Week ended Feb. 7, 1942	Week ended Feb. 6, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	227,157	269,382	3,854	5,115
Payments to N. Ireland	9,500	6,988	6,962	544	559
Other Cons. Fund Services	7,800	7,402	7,071		
Total	342,300	241,547	283,416	4,398	5,674
Supply Services	535,3204	375,4891	441,9960	93,208	105,371
Total Ord. Exp.	569,5504	599,6438	725,376	97,606	111,045
SELF-BALANCING P.O. & Brdcastg.	102,523	86,850	88,400	1,650	2,000
Total	579,8027	408,3288	725,376	99,256	113,045

After increasing Exchequer balances by £179,827 to £3,515,313, the other operations for the week (no longer shown separately) raised the gross National Debt by £16,443,053 to £16,524 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Feb. 5th and Feb. 11th. (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 4-43-47½. Switzerland. Francs (25-22½) 17-30-40. Denmark. Krona (18-759) T.T. 16-85-95; bank notes at Bank of England, 17-40 kr. 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 99-80-100-30. Panama. Balboas (100) 100-00-00; mail transfers 100-00-00. Brazil. 83-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate);

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Defence Loans Act	9,317
Overseas Trade Guarantees	8
	9,525

NET RECEIPTS (£ thousands)	
Title Act	218

FLOATING DEBT (£ millions)		Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks		Total Floating Debt	
Date	Tender	Tap	Public Depts.	Bank of England	Depts.	By Banks			
1942									
Feb. 7	930-0		Not available						
Nov. 7	1010-0		" "						
" 14	1020-0		" "						
" 21	1030-0		" "						
" 28	1040-0	1705-5	287.1½	11.0½	888-5		3932-2		
Dec. 5	1045-0		Not available						
" 12	1045-0		" "						
" 19	1045-0		" "						
" 26	1045-0		" "						
" 31	2,833-2		161-6	67-7	966-5		4029-0		
1943									
Jan. 9	1045-0		Not available						
" 16	1040-0		" "						
" 23	1030-0		" "						
" 30	1020-0	1770-8	231-7	24-0	980-5		4027-0		
Feb. 6	1010-0		Not available						

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1942					
Feb. 6	60-0	148-6	60-0	20 0-23	21
Nov. 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
" 24	75-0	144-8	75-0	20 1-25	29
" 31	75-0	143-5	75-0	20 2-05	41
1943					
Jan. 8	75-0	133-9	75-0	20 2-11	46
" 15	75-0	140-0	75-0	20 1-56	36
" 22	75-0	148-2	75-0	20 1-66	33
" 29	75-0	161-0	75-0	19 11-57	28
Feb. 5	75-0	158-7	75-0	19 11-80	29

On Feb. 5th applications at £99 15s. 1d. per cent for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 29 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 2d. for bills to be paid for on Tuesday were accepted in full. £75 millions of Treasury Bills are being offered on Feb. 12th. For the week ending Feb. 13th, the banks will be asked for Treasury deposits to the maximum amount of £20 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 1951-53
Dec. 29	3,495	1,375	3,705½	8,276
Jan. 5	4,935	1,974	8,790½	3,513½
" 12	5,444	4,006	15,308½	9,719
" 19	5,322	3,131	9,275½	5,105
" 26	5,615	2,595	9,213½	10,143½
Feb. 2	6,133	2,230	7,717½	8,972
" 9			6,200½	8,586
Totals to date	706,419*	533,988*	999,184†	65,925‡

* 167 weeks. † 110 weeks. ‡ 11 weeks. Including series 1949-51. Including all Series. Interest free loans received by the Treasury up to Feb. 9th amounted to a total value of £54,648,911. Up to Jan. 30th, principal of Savings Certificates to the amount of £94,272,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Feb. 5th and Feb. 11th:

Egypt. Piastres (97½) 97½-8. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-177½. National \$ 2½-3½d.

Special Accounts are in force for Chile, 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 cents 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 Feb. 5th and Feb. 11th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND
RETURNS

FEBRUARY 10, 1943

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	913,978,689	Other Govt.	938,223,313
In Bank, Department	36,263,029	Other Secs.	753,122
		Silver Coin	8,465
		Amt. of Fid. Issue	950,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
	950,241,718		950,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs. . .	163,943,088
Rest	3,418,996	Other Secs. : .	
Public Depts.*	8,035,448	Discounts & Advances . . .	4,486,958
		Securities . . .	19,059,328
Other Depts. :			
Bankers	142,589,978	Notes	23,546,286
Other Accts. . .	56,004,976	Gold & Silver . .	36,263,029
		Com.	849,995
	198,594,954		
			224,602,398
	224,602,398		

DOI: 10.1002/anie.201100000

	Nov. 30, 1941	Oct. 31, 1942	Nov. 15, 1942	Nov. 30, 1942
ASSETS				
Gold at home	1,075	1,075	1,075	1,075
Other gold and for. exch. . .	456	798	843	862
Non-int. Govt. bonds	119	114	114	114
Treasury bonds	394	392	392	392
LIABILITIES				
Notes in circulation	1,281	1,520	1,529	1,544
Deposits: Government . . .	207	45	149	133
Banks	502	793	737	750
Certs. of participation	50	26	26	26
Reserve ratio	75-6%	78-8%	78-8%	79-2%

000's omitted

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year			
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.	
Breweries, &c.		£	£	£	£	£	£	o			£	£	o	
Steward & Foster	Nov. 7	433,771	34,948	66,803	146,748	3,750	37,500	12½	24,607	+ 946	366,683	63,561	12½	
Coal, Iron and Steel														
Steel Developments	Dec. 31	4,571	...	4,270	9,577	...	4,119	5½	...	+ 151	4,513	4,213	5½	
Financial, Land, &c.														
Dalgety & Co.	June 30	1,253,523	...	123,895	258,654	25,000	90,000	6	...	+ 8,895	1,162,520	142,915	7	
Electrical and Industrial Investment	Dec. 31	54,106	...	25,355	89,316	13,000	12,000	12	...	+ 355	51,747	25,000	12	
London Property Investment	Dec. 31	30,612	...	10,235	10,235	...	9,159	6 & 5	1,076	...	30,366	10,611	6 & 5	
Tobacco Securities Trust	Oct. 31	478,704	...	478,704	654,342	...	(a)477,333	15½	...	+ 1,371	432,216	432,216	16 & 5	
Rubber														
Asahan	July 31	10,942	...	Dr. 1,196	8,203	...	...	...	...	- 1,196	48,941	6,609	4	
Central Johore	Mar. 31	8,745	78	1,993	5,125	...	...	...	...	+ 1,993	18,891	2,441	7	
Craigielee	Mar. 31	21,274	374	2,550	20,439	...	...	...	...	+ 2,550	60,700	15,742	8	
Gan Kee	June 30	5,296	...	Dr. 988	3,470	...	...	...	...	...	988	16,333	2,583	Nil
Killinghall	June 30	11,493	...	1,969	12,814	...	...	...	...	+ 1,969	34,017	22,530	9	
Kuala Kangsar	Oct. 31	1,701	...	Dr. 8,568	1,544	...	...	...	...	- 8,568	53,338	12,993	5	
Kuala Muda	Mar. 31	43,078	...	5,920	8,293	...	...	...	...	+ 5,920	76,407	23,645	6	
Merlimau Pegoh	Mar. 31	43,022	...	13,699	26,752	...	...	...	...	+ 13,699	101,842	38,609	10	
Sungei Puntar	Sept. 30	4,122	1,114	Dr. 1,079	1,696	...	...	...	...	- 1,079	24,345	9,247	8	
Sungei Kari (Sumatra)	June 30	3,097	...	Dr. 6,214	Dr. 4,768	...	...	...	...	- 6,214	11,302	3,018	7	
Tebrau	June 30	15,754	...	9,121	17,376	...	...	...	...	+ 9,121	51,430	9,910	12½	
Shipping														
British Oil Shipping	Dec. 31	11,433	...	9,136	36,446	...	...	...	...	+ 9,136	37,823	18,339	15 & 5	
Shops and Stores														
Raudall (H. E.)	Dec. 26	25,424	5,385	18,132	67,829	5,100	12,375	7½	...	+ 657	25,627	18,257	7½	
Stead & Simpson	Dec. 31	54,273	...	32,273	105,863	12,000	20,000	10	...	+ 273	47,904	23,404	10	
Tea														
Lanka Plantations	June 30	43,777	...	15,107	18,292	1,800	11,250	7½	1,000	+ 1,057	27,262	12,174	7½	
Textiles														
Barran (John) & Sons	Oct. 31	80,135	...	34,091	75,772	17,550	11,035	5½	...	+ 5,505	51,042	36,010	5½	
Bennett (James) & Co. (Warrington)	Dec. 19	35,954	1,492	9,143	9,643	...	8,000	10	1,500	+ 357	48,715	10,362	10	
Huddersfield Fine Worsteds	Dec. 31	33,530	...	7,105	19,225	...	7,312	6½	...	+ 207	38,501	6,433	7½	
Linen Thread Co.	Sept. 30	254,366	5,276	230,420	440,676	121,000	99,000	6	...	+ 10,420	248,560	241,001	6	
Lister & Co.	Nov. 30	216,521	...	52,754	66,245	15,000	28,500	4	...	+ 9,254	144,814	34,809	24	
Tramway and Omnibus														
Tilling (Thomas) Limited	Dec. 31	557,208	...	535,392	702,697	16,500	412,000	10	100,000	+ 6,892	546,464	524,496	10	
Trusts														
Cardinal Investment Trust	Dec. 31	18,322	...	9,073	14,166	4,560	3,739	6	...	+ 774	18,243	8,928	6	
Caribonum Trust	Jan. 31	47,564	...	46,888	47,865	8,250	38,500	11	...	+ 138	47,469	46,746	11	
Equatorial Trust	Dec. 31	32,597	...	12,470	48,600	...	8,750	34	7,275	+ 3,555	40,191	15,039	34	
Govt. Stock & Other Securities Invest.	Dec. 31	98,068	...	43,633	43,633	24,282	20,566	34	Dr. 1,005	...	100,105	47,856	34	
London Stockholders Investment	Dec. 31	35,053	...	17,744	8,522	9,900	6,750	23	1,215	+ 94	37,948	19,337	23	
National Dominion and General	Jan. 3	10,789	...	7,167	15,400	7,500	...	...	...	+ 33	70,760	7,844	Nil	
New York and General	Jan. 3	47,591	...	13,149	19,988	12,600	...	...	...	+ 543	44,131	9,511	Nil	
Omnium Investment Co.	Dec. 31	119,676	...	55,165	60,792	31,611	22,128	34	...	+ 416	119,154	53,413	34	
River Plate and General Investment	Dec. 31	58,857	...	33,206	85,782	6,522	14,495	10	3,000	+ 9,189	59,586	41,780	10	
Scottish American Investment	Dec. 31	295,335	...	116,160	205,224	40,917	60,987	10 & 7	15,000	+ 744	287,207	112,772	10 & 7	
Second Scottish United Investors	Dec. 15	60,280	...	12,978	31,426	11,812	...	...	...	+ 1,166	62,164	15,342	14	
Standard Trust	Dec. 31	97,619	...	27,996	68,978	17,325	10,500	5	...	+ 171	98,364	30,176	5	
United Companies Trust	Sept. 30	7,110	...	2,519	5,521	...	...	...	...	+ 2,519	7,842	1,621	Nil	
Waterworks														
Chester Waterworks	Dec. 31	45,643	...	12,457	23,734	5,842	6,634	6	...	+ 19	41,110	13,069	6	
Sunderland & South Shields Water	Dec. 31	211,442	...	69,039	126,548	547	61,151	7½ & 5	...	+ 7,341	213,635	50,284	7½ & 5	
Other Companies														
Alders (Tamworth)	Oct. 31	75,032	6,483	14,644	15,342	2,805	11,250	22½	...	+ 589	60,211	11,497	25	
Atlas Stone Co.	Jan. 31	30,481	7,500	16,335	46,108	...	11,333	11	...	+ 10,899	48,533	27,444	10	
Booker Bros. McConnell & Co.	June 30	158,591	3,000	149,591	182,067	33,335	80,811	15	25,000	+ 10,245	141,005	134,005	15	
British-American Tobacco Co.	Sept. 30	3,065,348	...	3,065,548	5,403,505	585,000	2,375,776	10½	...	+ 104,572	4,087,564	4,087,564	14½	
Craigton Cemetery	Dec. 31	8,738	15	3,074	4,364	...	3,000	6	500	- 426	9,002	3,981	6	
Crossley (John) & Sons	Nov. 28	64,213	...	49,121	61,157	29,700	17,819	5	...	+ 1,602	109,554	48,151	24	
English Chrys Lovingood Pochin & Co.	Sept. 30	261,082	38,467	59,799	102,869	27,718	22,119	2	10,000	+ 38	223,023	35,176	1	
Furniture & Mason	Aug. 31	22,903	...	20,903	25,812	6,125	9,375	5	...	+ 5,405	46,998	12,034	Nil	
Fressler Cane Paper Mills	Dec. 31	46,063	1,373	Dr. 901	46,901	...	...	...	Dr. 1,500	...	46,401	2,500	Nil	
Gray (William C.) & Sons	Dec. 31	26,155	5,790	12,020	24,769	16,265	...	...	...	+ 4,249	33,973	25,535	Nil	
Larkins (S. C.) & Sons	Dec. 31	22,760	...	21,160	56,624	1,875	17,812	23½	5,000	- 3,527	24,844	23,244	23½	
Lister (R. A.) & Co.	Sept. 30	163,940	...	91,007	161,475	9,000	56,000	16	25,000	+ 1,007	131,517	80,280	16	
McLaren (Wm.), Sons & Co.	Dec. 20	6,095	...	6,095	24,864	4,500	...	...	...	+ 1,595	10,893	10,893	Nil	
Milton Antiseptic	Sept. 30	59,095	2,830	27,012	101,184	5,192	12,109	12½	5,000	+ 4,711	56,944	23,927	12½	
Pawsons & Lead	Dec. 17	30,410	...	21,845	61,366	...	20,000	7½	...	+ 1,452	32,666	24,495	7½	
Pharaoh Paper Co.	Dec. 31	37,847	...	31,424	31,424	11,063	4,975	10	...	+ 1,482	44,327	13,043	10	
Phillips Rubber Sales	Nov. 30	129,355	1,389	29,730	49,274	9,000	20,250	11½	...	+ 480	120,600	52,333	11½	
Pratt (J. Alfred) & Co.	Oct. 31	20,217	...	15,945	37,127	7,500	3,600	3	3,500	+ 1,345	36,226	19,598	6	
Redfern's Rubber Works	Dec. 31	66,671	...	12,830	22,873	4,500	7,200	12	...	+ 1,130	47,249	11,969	10	
Westinghouse Brake and Signal	Sept. 30	167,711	...	145,585	236,858	...	70,148	12½	80,000	- 4,563	143,939	131,629	10	
Totals (000's)														
January 1 to January 27, 1943	No. of Cos. 77	14,130	1,772	4,393	7,232	940	2,047	...	895	+ 511	13,046	4,265	...	
January 27 to February 10, 1943	62	9,345	115	5,912	10,240	1,166	4,243	...	306	+ 197	10,358	6,593	...	
January 1 to February 10, 1943	139	23,475	1,887	10,305	17,472	2,106	6,290	...	1,201	+ 708	23,404	11,258	...	

Wigan Coal and Iron Company.—At an extraordinary general meeting on January 31st, the special resolutions for the reduction of the company's capital, and the distribution of the shares of Lancashire Steel Corporation in satisfaction of such reduction, were passed unanimously.

COMMODITY AND INDUSTRY NEWS

Utility Fabric Exhibition.—An exhibition of cotton and rayon utility fabrics is to be held at the Cotton Board's Colour, Design and Style Centre, 19 York Street, Manchester, from February 15th. All the fabrics covered by the cotton and rayon utility schedules will be represented, and the display will provide a comprehensive review of current utility production since it includes samples from the ranges of all leading manufacturers of cotton and rayon utility cloths. It is expected that over 2,000 samples of plain, printed and coloured woven materials for men, women and children's wear will be on show.

Mica Control.—The Minister of Supply has made a Direction under the Control of Mica (No. 2) Order, 1942, authorising the acquisition and disposal, without licence, of small quantities of prepared mica or of built-up mica (micanite and the like) subject to the conditions that the aggregate quantity acquired by any one person from all sources under this Direction must not exceed £5 in value in a period of one calendar month, and processors who make disposals under the Direction must make a monthly return to the Ministry of Supply in the form set out in the appendix to the Direction. The Direction came into force on February 4th.

Price-Regulation.—The Board of Trade, after consultation with the Central Price-Regulation Committee, have made the Prices of Goods (Price-Regulated Goods) Order (S. R. and O., 1943, No. 118), amending the Prices of Goods (Price-Regulated Goods) Order, 1942, No. 794, and adding to the list of goods price-regulated under the Goods and Services (Price Control) Act, 1941, spectacles, lognettes, pince-nez and spy glasses, and

frames and lenses therefor and component parts thereof; and paint and distemper. In future all traders (manufacturers, wholesalers and retailers) dealing in these articles may only increase their prices beyond those ruling on August 21, 1939, by the amount representing the actual increase in the costs of their business, and traders must be prepared to justify any such increase. The inclusion of these articles in the list of price-regulated goods makes them subject also to the Restriction of Resale Order (S. R. and O., 1942, No. 958) and the Price-Controlled Goods (Invoices) Order (S. R. and O., 1941, No. 1388).

Food Delivery Rationalisation.—The rationalisation of retail deliveries of food other than bread and milk, has resulted in the laying-up of 34,000 vehicles. Petrol has been saved at the rate of 25 million gallons a year, representing a saving of 36 per cent of the petrol normally used for the delivery of groceries.

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

	Feb. 4, 1943	Feb. 5, 1943	Feb. 8, 1943	Feb. 9, 1943	Feb. 10, 1943
Crops	115.6	115.6	115.6	115.6	115.6
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.3	141.3	141.3	141.3	141.3
Mar. 31, 1937*	100.0	100.0	100.0	100.0	100.0
Crops	147.9	92.2	116.6	119.4	115.6
Raw materials	207.3	122.9	172.7	172.7	172.7
Complete Index	175.1	106.4	141.3	143.8	141.3

* Highest level reached during 1932-37 recovery.

BRITISH WHOLESALE PRICES

	Feb. 2, 1943	Feb. 9, 1943
GRAIN, etc.		
Wheat	s. d.	s. d.
No. 1 N.M.C. 496 lb. (c) St. J.	39 1	39 04
Long. Gav. av. per cwt. (c)	16 7	16 8
Barley Eng. Gav. av. per cwt. (c)	34 8	34 6
Oats (c)	15 10	16 0
TOBACCO (per lb.)		
Rhodesian, stemmed and un-	1 0	1 3
stemmed	3 0	3 6
COTTON (per lb.)		
Raw, Mid-American	7 80	7 80
Giza, E.G.F.	10 55	10 55
Yarns, 36's Ring Beams	18 09	18 09
42's Cop Welt	17 80	17 80
60's Twist (Egyptian)	26 00	26 00
Cloth, per 100 yards	s. d.	s. d.
31 in. Printer, 64 x 64	36 9	35 11
36's & 42's		
Cambric Shirting, 324 in.	48 9	47 2
72 x 60, 24's & 24's		
Cloth, Overall Cloth, 384 in.	53 4	51 0
52 x 50, 22's & 16's		
Drill, 30 in., 80 x 46	77 7	73 10
12's & 10's		
JUTE (per ton)		
Daisie 2/3 c. and f. Dundee	42/0/0	39/0/0
Bombay	4 10	4 104
Common 8 lb. cops. (per spindle)		
10/40 Calcutta Hessian, Mar-Apr.	38 0	37 0
Calcutta, 100 yds.	28 0	27 3
78/40		
VEGETABLE OILS (per ton net)		
Oil Seeds, Linseed	28/0/0	28/0/0
Bombay		
(c) Average for weeks ended Jan. 30 and Feb. 6.		

AMERICAN WHOLESALE PRICES

	Feb. 2, 1943	Feb. 9, 1943
GRAINS (per bushel)		
Wheat, Chicago, May	140	1394
Winnipeg, May	924	924
Maize, Chicago, May	58	571
Oats, Chicago, May	594	594
Rye, Chicago, May	824	824
Barley, Winnipeg, May	634	634
MISCELLANEOUS (per lb.)		
Cotton, N.Y. Am. mid. spot	21 49	21 40
Am. mid. Feb.	19 72	19 66
Cotton Oil, N.Y., Mar.	13 95	13 97

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5191 REGISTERED AS A NEWSPAPER FEBRUARY 20, 1943 Entered as Second Class Mail Matter at the New York, N.Y., Post Office ONE SHILLING

Parting of the Ways - - -	225	The Middle East - - -	230
Finlandia - - -	227	Canadian Altruism - - -	237
The Nursing Profession - - -	228	Profits Under Restraint - - -	241

NOTES OF THE WEEK - - -	231	INVESTMENT - - -	244
-------------------------	-----	------------------	-----

The Russian Blitzkrieg; The Next Stage; Wartime Politics; Ordeal in India; The Tunisian Puzzle; From Eight to Five; Insurance and Assurance; Australian Beveridge; North Africa Command; Rats on the Run; The Conditions of Exporting; Retribution or Rescue?; Fire-watching and Production; The Nuffield Foundation; Shorter Notes.

AMERICAN SURVEY - - -	236	INDUSTRY AND TRADE - - -	247
-----------------------	-----	--------------------------	-----

All American?; The Task Ahead; Eternal Triangle; Shorter Notes.

THE WORLD OVERSEAS - - -	237	COMPANY MEETINGS - - -	250
--------------------------	-----	------------------------	-----

Canadian Altruism; Finland's Trade Dilemma; Shortages in Palestine.

FINANCE AND BANKING - - -	243	RECORDS AND STATISTICS - - -	252
---------------------------	-----	------------------------------	-----

"Wings for Victory" Bills; Tax Certificates and Bank Loans; Trustee Savings Bank Deposits; Hire Purchase Restrictions; Life Assurance New Business; Eire's Central Bank.

The Parting of the Ways

THE Government has not been even remotely in danger of actual defeat this week, in spite of the fierce gale that blew up so suddenly against its friendly but evasive and non-committal statement on social security. But it has been confronted with the prospect of two serious, and significant, reverses: a hostile vote by the bulk of Labour members, many Liberals and some of the younger and more vigorous Conservatives; and even, it was rumoured, the resignation of certain Labour Ministers. At the time of writing, it is not known what success behind-the-scenes bargaining has had in holding the wings of the Commons together. Mr Morrison and Mr Eden may have saved the day. The Government may have been persuaded, after all, to do what it should have done from the start—to say outright what it means to do, to specify its intentions, to give some definite assurance of action and some hint of the vision, the courage, the imagination and the "practical idealism" whose absence from the speeches of Sir John Anderson and Sir Kingsley Wood so outraged Parliament and a large part of the public.

But whatever has happened the crisis is by no means over. The origins of this week's storm are far wider and far deeper than mere party passion or the Beveridge Report itself. There come moments in the affairs of every

nation when the deep doubts and problems which have frustrated social and political advance for many years come up, inexorably, for solution and decision. In 1939, the totalitarian challenge was accepted; Britain went to war, with no notion yet of how or why, but with the sound instinct to resist the wrong. In 1940, Britain did not waver when left alone. Now, the third and perhaps the greatest climacteric is near. On the decisions of these days depends the destiny of Britain. It is the crisis, not only of the war, but of twentieth century freedom and it can be the privilege and duty of this country, above others, to resolve it. Since the bugles sang truce twenty-five years ago, democracy has walked in the shadows. In country after country, it has gone down to defeat before the claims of other systems. Where it has remained, it has stayed on uncertain, ineffective, disillusioned, embittered and sceptical. It has seen the right ends of social policy—security, work and strength—meretriciously pursued in other lands by wrong and ruthless methods. It has seen two aims enshrined above all else in national aspirations—employment for every individual and armed strength in battle—and it has witnessed the apparent conquest of these spheres by alien and unfree means. It has learnt to recognise the truth of Monsieur Reynaud's warning that, at every great moment of decision, free and representative

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
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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET
New York Agency: 66, BROADWAY, NEW YORK CITY

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)
Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 8,900 Agencies at Post Offices in Australia.

As at 30th June, 1942.—General Bank Balances ... £181,729,589
Savings Bank Balances ... 164,619,569
Note Issue Department ... 111,080,542
Rural Credits Department ... 3,421,174
Other Items ... 20,380,871

£481,191,745

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.
Also at AUSTRALIA HOUSE, STRAND, W.C.

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)

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES:

Aden and Aden Point	Cochin	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mandlay	Nairobi	British Somaliland
Bombay	Delhi	Nuwara	Nakuru	Uganda
Calcutta	Kandy	Rangoon	Entebbe	
Cawnpore	Karachi	Tuticorin	Jinja	
Chittagong	Lahore	Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga		Tanganyika Territory

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

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

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 1920 of the Colony.)

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

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. Moss.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9, Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

THE WOOL (& ALLIED) TEXTILE EMPLOYERS' ORGANISATION require in Bradford the services of a first class Secretary with knowledge of general commercial and labour problems. Apply in writing stating age, experience and salary required to Chairman, Lloyds Bank Chambers, Bradford.

governments lack "lucidity and daring." It became an open question whether "government of the people by the people for the people" would perish from the earth.

Democracy was saved by Britain in 1940. The charter of free and representative government was rescued from annihilation by the RAF and the British people. The first step towards salvation was taken. Now the moment of proof has arrived. Can free men and free institutions meet and beat the despots on their own ground of efficiency—war and peace? It is a moment of hope. The greatest of all experiments in soulless dictatorship is staggering towards defeat. The Russian armies and the Russian people have flung back the Nazi invaders and destroyed for ever the momentum of totalitarian aggression. In the rear of the retreating Germans, slaughtered and shattered because of the failures of their boasted leaders, the people of an entire continent are asking what alternative to "fascist efficiency" the future affords.

What answer has freedom to give? The Nazis have little doubt about the answer. In their greatest extremity, they still trade upon the inability of democracy to solve the problems that must be solved if the peoples of the world are to choose responsibility in place of dictatorship, liberty in place of regimentation, peaceful accord instead of militarism. They know that they rose to power because of the failure of their democratic opponents to furnish answers to the problems of social security, economic prosperity and national safety. They still hope that the armed might of the United Nations will be neutralised by the democratic weaknesses of Britain and the United States. They know that the dread of Communism is still alive in free countries, as it was in the Germany they captured, because it threatens property as well as individuality. They rely upon the free peoples to undo themselves.

This is the greatest challenge of all, a challenge which has been implicit since Mussolini marched on Rome and Hitler sidled into power in Hindenburg's shadow. The answer can no longer be delayed. If the challenge is refused, if the free peoples of Britain and the United States cannot contribute their full share to the dénouement which the ruthless Russian advance has made possible, if they cannot in their own countries make good the pledges of security and prosperity which the fascists have made their stock in trade, a new era of political chaos may be in sight, with democracy condemned by its own shortcomings, and with despotism enshrined, despite the crass failures of Nazi Germany, as the way out of human affliction. The stake the democracies have claimed, through the Atlantic Charter and other statements, in the future settlement of the world, still has no point of departure, no fulcrum.

The Parliament and the people of Britain have to make their choice with much already in the favour of freedom. British democracy withstood the worst blows of a vastly superior enemy two years ago. Without that resistance Nazi Germany would have won before either Soviet Russia or the United States could move. This country and its institutions have little cause to be ashamed of the way in which they have stood the test of total war. But this is only a foundation. It is the task of Mr Churchill's Government and the people's representatives in Parliament to set in place the superstructure; to show that free men are as apt in attack as they have proved themselves in defence, and to demonstrate that the poverty and insecurity of economic life, which the totalitarians claim so glibly to have solved by their war making, can be rooted out by the democratic methods which regard the goods and services available to the free choice of ordinary men and women as the be-all and end-all of economic effort and organisation. The sweeping Beveridge plan for social security has laid bare some of the basic issues upon which the future of freedom depends. On every occasion when the democracies have been called upon to make crucial decisions, they have delayed, they have temporised, they have bargained. Their policies have been too late and too little. Is this to be so again? If it is, then the floodgates are open. It was because of the timorous and lukewarm approach of their democratic leaders that the Nazis, poor in ability and rough and ruthless in their methods, were

admitted to power. If the same timorousness and lukewarmness are shown in Britain to-day towards the military opportunities which so plainly present themselves or towards the social opportunities of the Beveridge plan, then the way will be prepared for totalitarian creeds from both Left and Right, with the fascists the final victors. The hour has come, or is near, when Britain must make the choice which in country after country of Europe was made to the destruction of freedom.

There is no need for fatalism. Britain has done already in war what no other democracy has succeeded in doing. At Casablanca, it may be, the boldness that has been displayed in defence was worked out in dramatic detail for attack, with the same readiness to risk everything in men and material that has brought victory to the Russians. At home, the challenge is no less apparent; it was the *leitmotiv* of the Beveridge debate. The statement of policy, made on Tuesday by Sir John Anderson, spoke with two voices. To some it seemed an acceptance of the plan, to others a denial. It was an excellent example, voiced by an honest parliamentarian and a sound administrator, of the muffled and fumbling manner which democratic politics have too often bred. He accepted all the basic assumptions upon which Sir William Beveridge founded his plan: the maintenance of employment, children's allowances and a comprehensive medical service. He accepted in principle the proposal for a universal scheme of social insurance against unemployment, sickness and disability. He agreed, on behalf of the Government, to the supersession of the approved societies as the carriers of social insurance, a method of administration which more than anything else has cabined and confined British social services in the past generation. But he hedged the Government's acceptance of the plan with so many reservations and conditions that very little that is specific was left by way of pledge. The approved societies may go, except as agents; there will be children's allowances, at the rate of 5s. a week instead of 8s. For the rest, time will tell. There is to be no Ministry of Social Security, only a nebulous nucleus. The basic provision for old age, worked out in detail in the Beveridge plan, is to be superseded by a strict insurance scheme, with contributions paying for benefits. The proposal to free workmen's compensation from the defects both in cash and in kind which ruin the present system is shelved. Everything is made conditional upon future financial prospects and is "subject to further review."

This is neither lucidity nor daring; it is not a spring-board, but a feather bed. For all its fair words, the Government lacks the courage either to accept or refuse the Beveridge plan. Few less lucid or less daring speeches have been made than Sir John Anderson's—except, of course, Sir Kingsley Wood's. It is true that these outlines of a programme, if filled in aright, can add up to a programme for social security; it is equally true that, qualified and watered down, they can add up to a refusal. This week's revolt was a movement of fear, fear that the plan may go by default in its detailed working out.

The Government must say Yes or No. They cannot sit on the fence. If it is nonsense, as it is, for Mr Greenwood to say that pounds, shillings and pence are meaningless symbols, it is madness for the Government to refuse to state how much it is prepared to spend on social security as a first charge upon both the national budget and the national income. Is the prevention of want to be a first charge in any event? That is the question that is being evaded. The total amount that can be spent is strictly limited; it must be related to other commitments, both old and new. There is a serious financial problem involved. But the arrangement of priorities must precede the making of the final budget. To make the future a gigantic pigeon-hole for social and economic plans is to risk the same fate that has befallen democracy elsewhere. Before the spring, British parliamentary government has the chance to prove, in battle abroad and in policy at home, that the free people of this country are as capable of facing with faith both the terror without and the terror within—to the discomfiture of the totalitarian rivals that crowd upon them.

Finlandia

THE Finnish presidential election passed off under a veil of unparalleled obscurity. Up to the last, it remained uncertain whether Marshal Mannerheim would stand, and one vote was in fact cast for him by a member of the Agrarian Party, in spite of his refusal to be adopted as a candidate. M. Risto Ryti, the first president of Finland to be elected to a second term, was returned with an overwhelming majority by the three hundred members of the electoral college. There were twenty-four abstentions and the three remaining candidates, who included the first president of independent Finland, M. Stahlberg, polled only six votes between them. Once Marshal Mannerheim had declined to stand and M. Ryti had received the formal support of the Prime Minister, M. Tanner, and the Social Democratic Party, the result was a foregone conclusion. Yet the size of M. Ryti's majority was less inevitable and must be regarded as an endorsement of official policy by an overwhelming majority of electors. In no Axis country, and in no other satellite state, could an election held to-day in similar circumstances be regarded as anything but a farce. In Finland, the result must be considered to be to some extent representative, in spite of the curious failure to advertise the names of the candidates until extremely late in the day, and the less surprising failure to canvass any alternative policy. It is unlikely that the actively pro-German caucus, which certainly exists, would interfere overtly with the electoral machine. Indeed, Marshal Mannerheim, the only alternative candidate who could seriously have challenged the re-election of M. Ryti, would have represented no more than a change of personality. His policy has been consistently identified with that of the Ryti-Tanner Government—prosecution of the war and collaboration, within limits, with Germany.

Probably the election results have understated the strength of the opposition. M. Ryti's policy enjoys general though faint-hearted support. His mandate, if the election was really conducted in a democratic manner, has been strongly renewed. Yet there has been, since the end of last November, a significant change of tone in the Finnish press, and of emphasis in Finnish politics. The burning question—the possibility of concluding a separate peace with Russia—has been discussed openly, even in the press. At the same time, the two corollaries, the possibility of attaining deeper understanding with the United States and closer co-operation with Sweden, have been widely discussed, too. At the end of November, 1942, the general tone of the Finnish press ceased, for the first time since the start of the Russian war, to be anti-Swedish and began to stress the advantages of closer

Scandinavian co-operation. The possibility of pushing co-operation to the extent of actual federation, and also though implicitly, of extricating Finland from participation in the war, was discussed in two books published last autumn. The first, "We Will Not Be Choked," by a writer claiming to be a soldier at the front, raises the basic problem of Finnish foreign policy—that Finland has two security problems, represented on the one hand by Russia, and on the other hand by Germany. The writer is unable to decide whether the Russian aim is to acquire a strategic frontier or whether it is to annihilate Finland. He is also unable to decide whether the Finnish Government genuinely believed that the presence of Germans in Finland would guarantee security. He feels German pressure to be as grave a danger as Russian enmity. The second book, "A United Scandinavia—the Necessity of To-morrow," is written by a member of the Finnish Diet, who also held the post of leader writer on the paper, *Arbetsblad*, from which he has been dismissed. The author explicitly advocates the creation of a Nordic Federal Government with a joint defence force. His book, which has appeared to many Finnish patriots to sketch a means of release from the dilemma of pro-Russian or pro-German dependence, has also tended to crystallise the discussion of war aims and of the conditions on which peace could be attained.

The renewal of pro-Scandinavian sympathy and the feverish debates on foreign policy to which these books have given rise emphasise a dissatisfaction with official policy which has undoubtedly been growing ever since it became plain, in the winter of 1941-42, that Germany could not win a blitzkrieg in Russia. Now that the siege of Leningrad has been raised and it is obvious that Germany will not even win a war of attrition, competent opinion in Finland has come to fear that alliance with Germany was a grave error. The maintenance of support for M. Ryti and M. Tanner seems to be due solely to an inability to devise any practical method of escape. This mood is reflected in the press by renewed affirmation that Finland is a special case, that the country is primarily fighting its own war and that the alliance with Germany is in the nature of a coincidence. *Suomen Sosialidemokraatti*, a paper which has contrived to maintain a more or less oppositional standpoint, urged last December that Finland still regards the present war solely as a continuation of the Winter War. There is an attempt to prove that Finnish policy is, as certain Swedish observers have suggested, an armoured version of Swedish neutrality. Coupled with this dominant theme is a powerful and growing defeatism. A Finnish journalist



EQUITY & LAW
LIFE ASSURANCE SOCIETY

Established 1844

Wartime Service

● In view of the absence of staff on War duties it has become necessary as a temporary measure to close certain of the Society's Branch Offices.

● Arrangements have been made to ensure that the Society's policy-holders and annuitants will receive the best possible wartime service.

Head Office: 163/4, STRAND, LONDON, W.C.2. Telephone: TEMple Bar 0381
(temporarily transferred from 20, Lincoln's Inn Fields)

wrote in *Ajan Suunta*, on the twenty-fifth anniversary of Finnish independence.

Now, while we celebrate Independence Day, I feel certain that those who have fallen and do not see the proof of the immaturity of Finnish independence are the happiest. They are spared seeing how vain was their sacrifice.

The presidential election was held at a real crisis in the history of the Finnish state, at a time when a nation which has just celebrated a quarter of a century of independence faces the distinct possibility of a total loss of sovereignty. Walter Lippman's recent article in the *New York Herald Tribune*, declaring that the Allies cannot develop such military strength that they can afford to support an anti-Russian diplomacy in the east, has created widespread depression among a people which increasingly realises that it has backed the losing horse.

The situation has been more realistically, and more accurately, summed up by a Swedish writer, Alva Myrdal, who has pointed out that, as things are to-day, Finland's fate will in fact be decided by Russia, but that the sympathetic intervention of Great Britain and the United States might prove a decisive factor. In the circumstances, what should Finland do? If it is assumed, as seems probable, that there is a small but influential anti-war group in Finland, and that this group remains a minority only because there is a general disbelief in its ability to come to terms with the Soviets, is there a basis for negotiation? The Russian attitude is not clear. There is a *prima facie* case for supposing that the Soviet Union is more interested in the acquisition of a secure frontier than in the absorption of the Finnish nation. A recent article by S. Zaslavsky, a Soviet journalist who is close to the Foreign Office, definitely suggests that Russia is concerned to recover, in the main, its 1941 frontiers. But if Stalin is in fact not anxious to incorporate Finland in the Soviet Union, it can hardly be supposed that he would be content with frontiers less advantageous than the frontiers of 1941, including the Hangö base. For the Finns, by a catastrophic error of judgment, have unhappily proved the Russian thesis that their territory does constitute a springboard for German attack. It would have been better in the long run to have suffered the martyrdom of Greece and Norway and to have gone down in support of those principles of democracy which most Finnish patriots still proclaim, and to have won thereby the confidence of Russia and of the world.

To-day, the optimists in Finland base their hopes on the Atlantic Charter. Invoking the recognition of national sovereignty contained in the Allied declaration, against

which they are in fact fighting, they cherish the belief that the western democracies, and in particular the United States, with which Finland is not at war, will plead the cause of Finnish independence at the conference table. They have perhaps not fully realised that, whatever extenuating circumstances can be pleaded, and there are many, the Red Army has reason to know that Finland has been Germany's most effective European ally. On the northern sector of the front, the conspicuous lack of success which has attended the arms of the German commander, Colonel General Dietl, has been masked only by the exploits of the Finns. However much the world may acknowledge that Finland is fighting, not for Germany, not even for Eastern Karelia and Greater Finland, but for the 1939 frontiers, the time has come when the Finns cannot advocate their "special case" without breaking with Germany. Indeed, the break has been delayed over long. The case for Finland would be clearer and more impressive if peace had been made when the pre-Winter War frontiers were recovered in the autumn of 1941. The decision to take the line of least resistance since then, to acquiesce in the *fait accompli* of partial German occupation and dependence on German food supplies, has already almost completely undermined the support which Allied sympathisers could give to this least disagreeable enemy. Each day's delay in making the break aggravates the weakness of the Finns' position, and makes it more likely that they must bear the full consequences of their own decision to make war.

In reply, the Finnish Government may plead that dependence on Germany for foodstuffs, for grain and sugar, is almost complete. Economic subjection has gone very far in the past two years. This aspect of the problem is discussed in detail in an article on page 238. It would be difficult for Britain and America, so long as they do not control the north coast of Norway, to supply the deficiency. It would be difficult for Russia and virtually impossible for Sweden to do so. But there is no agreement among competent observers that the supply of Finland from other than enemy sources is completely impossible. As the price of Finland's withdrawal from the war, it might not prove exorbitant. In any case, from the Finnish standpoint, defeatism on this issue must imply disaster in the long run. A reversal of policy may be difficult, but its maintenance will be catastrophic. Words alone will not drive home the claim to be different from all other satellites, to be in the Axis, but not of it; it needs to be reinforced by decisive action. It has been placed in grave doubt by the result of the presidential election.

The Nursing Profession

THE shortage of nurses is one of the most serious limiting factors on the expansion of the health services, to which Sir John Anderson committed the Government on Tuesday. In fact, in many places the shortage prevents them from being adequately maintained at their present level. Nor is the shortage the result of the war, although the present state of the labour market may have intensified it. The Athlone Committee, appointed in November, 1937, to inquire into the shortage, found that the intake of probationers was maintained; it was the demand for nurses that had grown. There was then an apparent shortage on establishment in the London County Council's general hospitals of 355 nurses, but that the real position was more serious since the Council, owing to the difficulty of obtaining staff nurses, released fourth year probationers for staff nurse duties. There was in fact a shortage of 611 staff nurses and an excess of 296 first year probationers. On March 31, 1938, the Committee was informed, 151 out of 621 authorised posts for female nurses in Surrey County Council hospitals were unfilled despite repeated advertisements, and the *Nursing Times* carried 17,119

advertisements for nurses in 1937, compared with 6,429 in 1934. Since the war, the Medical Research Council's committee on tuberculosis has reported that on June 30, 1942, an immediate enrolment of 1,200 nurses was needed for sanatoria and for TB beds in emergency hospitals in England and Wales; and, on February 4th this year, replying to a parliamentary question about the shortage of hospital accommodation for maternity cases, the Minister of Health stated that more maternity beds will be provided in the near future "if staff can be found."

In sum, the country's hospitals, it was stated last week, need 10,000 nurses, and the Minister of Labour has set up a National Advisory Council to advise him on how they can be found. Viewed against the vast number of women who have been called up or directed into war work, this number does not seem large. But women cannot be compelled to become nurses, any more than they can be compelled to become teachers or members of any other profession. The Minister of Labour must rely on voluntary recruitment, on appeals and advertisements, to obtain the ten thousand. But before he can launch a recruiting campaign, he must be sure that the conditions

of work and the pay of nurses are on a par with those of other professions. Since the Athlone Committee reported, in December, 1938, salaries have considerably improved, and national scales have now been recommended in the first report of the Nurses' Salaries Committee, which has been sitting since November, 1941, under the chairmanship of Lord Rushcliffe.

The following table shows the salaries recommended by the Rushcliffe Committee for female hospital nurses—its proposals for other nurses will be made shortly:

Category of Nurse	Starting Annual Salary	Annual Increase	Maximum Salary	Emoluments	Total Maximum Salary and Emoluments
Probationer	£ 40	5 10*	60-70*	75	135-145*
Staff Nurse	100	5	140	90	230
Ward Sister	130	10	180-200†	100	280-300†
Qualified Sister Tutor	230	10	280	120	400
Qualified Senior Sister Tutor	260	15	350	120	470
Assistant Matrons	275-400	15	400	150	550
Matrons	450-700	30	700	200	900

* £5 increase at end of first year and second year, and £10 at end of third year, but before State Registration; another £10 after State Registration if under a four-years' contract. † An additional service increment of £20 to be given after 10 years' service as Ward Sister. ‡ In hospitals approved for the training of nurses, with 500 beds and over.

The table is condensed from the Rushcliffe Committee's recommendations for all hospital nurses, and refers to those in general hospitals, children's hospitals and fever hospitals. In TB institutions, the salaries of the lower grades are slightly higher. Matrons and assistant matrons in hospitals with less than 500 beds have lower salaries, as do those in non-training hospitals. Scales have also been fixed for night staff, home sisters, housekeeping sisters, departmental sisters, and "assistant nurses," i.e., those not on the State Register.

The Rushcliffe Committee considered it necessary to put a valuation on a nurse's emoluments, that is, her board and lodging, laundry, uniform and so on, in order to make superannuation payments and benefits more standardised. At present, some local authorities estimate the value of emoluments as the amount a nurse would have to pay if she provided them herself, others as the actual cost to the hospital, while for non-resident staff the actual cash payment made to the nurse is taken into account for superannuation purposes. In voluntary hospitals, the value of emoluments is fixed by the Federated Superannuation Scheme. The Rushcliffe Committee recommends that a nurse who is required to live out should have the whole cost of her accommodation provided by the hospital authority, though for superannuation purposes the fixed emoluments of resident nurses would be taken; but that a nurse who lives out by her own wish should receive a cash allowance, which would be equal to the valuation placed on the emoluments of a resident nurse, subject to a deduction for services provided by the hospital, such as meals when on duty and laundry. Thus the contributions paid by resident and non-resident nurses in the same grade and the pension benefits received would be the same.

As can be seen from the table, the Rushcliffe Committee's scales, which have been commended by the Minister of Health to local authorities and voluntary hospitals, will put the nursing profession on a financial par with the teaching profession. The matron in charge of a big hospital will receive a maximum salary little, if anything, below the salary of a headmistress of a secondary school. The salaries and emoluments of sister tutors will compare favourably with those of assistant mistresses who do not normally receive a living allowance. Those of staff nurses and probationers will be on a par with the salaries of junior certificated teachers. In fact, a staff nurse in her first year, after four years' salaried training, will be receiving as much as a newly qualified doctor receives for a "house" job after a much longer training which he has had to finance himself.

But, though the new scale of salaries may be regarded as fully adequate and, in fact, generous, they cannot be considered apart from the conditions of service which, though frequently exaggerated, are in many hospitals such as, in the words of the Athlone Committee, "would not be tolerated in most occupations open to educated women." The most frequent complaint is the long hours worked, and it is worth noting that, though a reduction to 96 hours a fortnight, was urged by the Athlone Com-

mittee, the same recommendation has had to be made by the Rushcliffe Committee four years later. The trouble is that the long hours, besides being an effect of the shortage of nurses, are also a cause of it. If an additional 10,000 nurses are recruited, the 96-hour fortnight, subject, of course, to emergency demands, could probably be brought into national operation. But the fact that it cannot be guaranteed is likely to act as a deterrent to new recruits.

Long hours are not the only condition of service complained of. In some hospitals, the discipline imposed is often irksome and unnecessary. The Athlone Committee was told of late leave being cancelled because a probationer was three minutes late for breakfast; of a hospital which includes among its rules the following: "Nurses and probationers must give obedience and submission to their sisters, not answering again under apparent provocation"; and of one large hospital, "in one of our largest cities," where "probationers and nurses are still liable to have their chests of drawers and cupboards inspected at any moment without warning." Possibly the position has improved considerably since it reported—the LCC had already introduced new rules which were regarded by the Athlone Committee as "an example of enlightened reform"—but unless it is generally known that other hospital authorities have followed suit, the bad name that hospital discipline has incurred is likely to stick. It is significant that, even now, when other forms of national service impose considerable discipline, few women have opted for nursing when they were called up.

There are other complaints: poor accommodation, bad food, inadequate notice of time off and an excessive amount of non-nursing duties. This last grievance was very largely being remedied before the war, but now the shortage of domestic staff in hospitals is probably as serious as the shortage of nurses. The result is that the latter, particularly probationers, have to do a considerable amount of domestic work, which intensifies the shortage of nurses and is another deterrent to recruitment. Probably, the Ministry of Labour would find its task of finding nurses far lighter if it relieved the shortage of domestic staff.

But, above all these deterrents, there is the severe practical one known as "the gap." Most hospitals will not take probationers until they are 18 years old. Except in fever hospitals or children's hospitals, it is undesirable that the age should be reduced; but few secondary school girls are willing to wait until then, or can afford to, and for elementary school girls the gap is longer. For a variety of reasons, including the closing of the gap, the General Nursing Council divided the preliminary state examination into two, shortly before the war. The first part can now be taken at the age of 17½, after a full year's course in a secondary school or after a two years' course in an evening institute. In normal times, if suitable teachers of the required subjects can be found, this should encourage a larger recruitment from secondary schools. Ideally, they ought to provide all would-be nurses, but, at the time the Athlone Committee reported, they were only providing, in the case of most hospitals, 50 per cent or less.

Thus, in spite of the new salary scales, the Ministry of Labour's task will not be easy. It should be realised that 10,000 additional nurses means 12,500 probationers, since at least 20 per cent of the latter do not survive the first year—though this wastage may be reduced as more are recruited with a higher educational standard. But, whatever the actual number wanted, it is to be hoped that the recruiting campaign will be conducted realistically. As the Medical Research Council's committee on tuberculosis stated, emphasis is too often laid on the sacrifices demanded, instead of on the fact that nursing is an interesting and, in the future at least, a well paid and well regulated profession. The shadow of Florence Nightingale has lain too long upon it. Nor should the campaign stress too exclusively the importance of nursing as a national service—though it is undoubtedly true. Patriotism is not enough; if nursing is made an attractive profession, as now seems likely, the recruiting campaign should concentrate on pointing it out.

Food and Politics

ALL the politics of the country to-day are bread, carrots, potatoes, beans and radishes." This statement appears in the Syrian newspaper *Echos de Syrie*; and, although the list is rather lavish for the meagre diet of most Middle Easterners, the fact is indisputable. Food is the principal concern of all the people living between the Bosphorus and the Hindu Kush. The Middle East covers countries whose economic tradition is one of scarcity. In times of normal harvest, there is enough to go round, even at the very low level of consumption of the great mass of the people. The area is usually self-supporting. But if any major disturbance intervenes—a bad harvest, civil war, the threat of invasion, then the narrow margin of sufficiency disappears, the poorest starve and the middle class resort to the black market which merchants and land owners, great and small, immediately provide. The hoarder, the profiteer, the regrater and forestaller are dominant types in the economic history of the East. This war, which has disturbed far less precarious economies, has created conditions of shortage throughout the Middle East. In some areas, for example, parts of Persia, shortage has developed into something close on famine. These difficulties are due in the first place to a bad harvest in 1941. Lack of transport has aggravated the initial shortage. The uncertainties of war encouraged hoarding, even before there were any definite signs of stringency. Axis propaganda is busy in each country fomenting the sense of insecurity and blaming the Allies for it; and unhappily it is in the interests of speculators and hoarders to magnify the Axis rumours and, by creating sudden movements of violent demand, to force up prices still further. A contributory cause in countries occupied by Allied armies is the high rate of employment and the good wages earned by thousands of casual workers; their new prosperity increases the pressure on shrinking food supplies.

The result is a cost of living rocketing up, a rising currency circulation, sinking confidence in the currency itself, and an undercurrent of political suspicion and unrest. Between August, 1939, and July, 1942, the cost of living in Egypt rose 130 per cent—unofficial estimates put it much higher. Palestine's cost of living has gone up by nearly 100 per cent in the same period. In Turkey the rise may well be twice as great as the estimated 107 per cent, because of black market dealings. In Persia, where the economic crisis is most serious, some observers put the rise at about 500 per cent. The circulation figures tell the same story. Since June, 1939, the currency circulation has more than doubled in Iraq, quadrupled in Palestine and trebled in Syria, Turkey and Egypt. In Persia, it has trebled since early 1940.

In Britain, a very intricate system of controls keeps inflationary tendencies in check and ensures a fair distribution of supplies. The supplies and prices of basic foodstuffs are controlled by the Government. These foods are distributed through an elaborate rationing system. A great army of civil servants works with probity and industry to control Government purchasing and distribution. The mounting head of income is drained off through stringent taxation and a big and constant drive for voluntary savings. Finally, there are severe penalties for those who infringe the food regulations, and these penalties are enforced. To work at all, the control requires the honest co-operation of millions of people, not least of the consumers themselves. The only solution of the food crisis in the Middle East would be the introduction of similar measures; and the attempt to introduce them into economies which for generations have been geared to scarcity, black markets, hoarding and the devil-take-the-hindmost, is the whole story of politics in the Middle East for the last eighteen months.

The problem is at once most difficult and most urgent in Persia—most difficult because the shortages are severer there than anywhere else, most urgent because good relations between the Allies and the Persians now and after the war are at stake. Persia is normally self-sufficient; yet, during the course of 1942, there were conditions approaching famine in Laristan, Khuzistan, Fars, Jahrum and Bushire. The reasons for this were complex. The Allied occupation upset the peasants, who began to hoard. The tribes, taking advantage of the confusion, returned to brigandage and pillage. This discouraged potential sellers still further. Transport was very much taken up by the passage of supplies to Russia. Added to all this was the Government's inability to ration, to check and punish hoarding, to drain off by savings and taxation the extra money which thousands of Persians were earning with the armies of occupation.

This is the background of the food and currency controversy between the Persian and British Government. In May, 1942, a currency agreement was reached fixing the exchange rate at 129 rials to the £. The Persian Government were to provide the armies of occupation with the currency they needed, and the British Government would cover the issue in London, 40 per cent of it in gold and 60 per cent in sterling. But each time the British have requested a fresh issue of currency, the Persian Government and the Majlis have resisted, on the grounds that it would only increase inflation and that no more money could be issued until more food reached the country—to which the British could only reply that the food was there but hoarded. This wrangle has been settled for the time being by the agreement of December 4th, in which the Persian Government agreed to introduce rationing, and to enforce fair distribution; transport was to be placed under a joint Anglo-American-Persian Committee; and, given the fulfilment of these two conditions, the Allies agreed to ship in more grain.

Egypt and Turkey are having similar difficulties with their grain producers and merchants. The Nahas Ministry, guided and advised by the Middle Eastern Supply Centre, has at least taken active steps to meet the shortages. The area under cotton has been cut down drastically and grain grown instead. Supplies of flour are satisfactory, or would be, were it not for hoarding. Bread, oil and textiles are the three weak spots. In September, severe penalties were introduced for the adulteration of bread. In the same month, all supplies of cotton seed and cotton seed oil disappeared from the market when the dealers tried to compel the Government to raise the fixed price—the fixed price of cotton had just been raised to cover costs of production. Sugar and kerosene were rationed but the system worked badly—the staff of the Egyptian Ministry of Supply is neither large nor trustworthy enough for the task of supervision; but now that kerosene rationing has been abandoned, the situation is even worse. Cheap textiles are desperately short, and the Government has introduced the experiment, both for oil and clothing, of buying up a percentage of the supply and selling it at low prices to the poor. The main difficulty is probably lack of co-operation from an ignorant and undisciplined people. When this summer King Farouk gave an example to the landlords of selling his wheat to the Government at the fixed price, none of the large landowners followed suit—the Regent of Iraq incidentally gave the same example with the same result. On the side of the buyers, the Minister of Commerce summed up the difficulty not only for Egypt but for the entire Middle East: "The . . . public is responsible for the increase in prices by its eagerness to purchase from those who disregard the law."

In Turkey, Governmental policy has changed several

times in recent months. When the Sarajoglu Cabinet came in in July, the Government was committed to a policy of buying up and distributing the whole wheat harvest. This scheme was first modified, then abandoned completely. Prices were left to find their own level in the hopes that this would tempt the hoarders to release their stores. Municipalities were left to look after their local hoarders. The result was not satisfactory. Hoarding continued, not only in foodstuffs but in vital household needs such as olive oil. Even the price of textiles and fuel, which are controlled, rose nearly 100 per cent. In November, new measures were announced. To the poorest tenth of the population, the Government would distribute food at special low prices. All products of state factories—which in Turkey cover a wide range of goods—would be sold only at controlled prices. At the same time, a drastic capital levy was introduced to drain off the hoarders' accumulations. The effects of this tax are only now beginning to be felt. Its intake should be £T500 million, four-fifths from Istanbul. The first arrests of defaulters have taken place, with the penalty of confiscation and penal servitude.

In Iraq and Syria, the supply situation appears to have been slightly better, for both have produced a sizeable food surplus. Moreover, in Syria, family ration cards have been introduced, while in Iraq, the Government has taken over the whole wheat harvest, apart from the peasants' immediate needs for food and next year's sowing. Even so there are signs of the same problem. The British Legation and the Iraqi Government are compelled at regular three-monthly intervals to scotch Axis rumours, backed by local black marketeers, that the presence of British troops is causing, or is likely to cause, a shortage. In Syria, the political crisis of July which saw the resignation of the Ahmad Dauq Ministry in Lebanon and the taking over of the Cereals Office by the Prime Minister, concerned food supplies only. The former President of the Cereals Office, Fariz al Khuri, resigned, declaring that the obstruction of the large landowners and greed of the merchants made his work impossible. Ahmad Dauq then visited Damascus to discuss Lebanon's food supplies—the Lebanese depend upon the Syrian surplus—and promptly

resigned. It was at this point that the Prime Minister, taking over the Cereals Office, introduced coupon rationing, set on foot a new search for hoarded supplies, made the cultivators in a village collectively responsible for deliveries, and the municipalities responsible for distribution. Satisfactory arrangements were also reached with the Lebanon. Since that time, the situation has improved.

The troubles of the Middle Eastern Governments in dealing with shortages, hoarding, profiteering and the like are only in appearance "internal" to each country. In reality the Great Powers are involved; and each state is involved with its neighbour. The neighbouring states depend upon each other to meet the crisis, for the deficiency areas of the Middle East can be most quickly assisted by the neighbouring surplus areas, not by expensive shipments from overseas. Turkey needs Egyptian rice; Palestine needs Egyptian eggs; Lebanon needs Syrian grain; Iraq and Syria can help to supply Persia. The great obstacle to the development of this system of mutual aid is the political divisions of the area. Natural irrigation areas run straight across political frontiers. Transport is undeveloped, and is anything but regionally conceived. Moreover, political suspicion and economic nationalism disturb the possibilities of exchange. "Not an egg must leave Egypt until the price of wheat has been lowered at home" was a typical and not unnatural press comment on the Egyptian transaction with Palestine.

The Allies are implicated because they are there. They are the hourly butts of Axis propaganda. In some states they have mandatory responsibility. They are bound to the area by alliances—Britain is especially involved in Middle Eastern politics. To meet their responsibilities, they have already evolved a very remarkable and successful piece of international economic machinery, the Middle Eastern Supply Centre, which has now for nearly two years been attempting to assist the Middle Eastern states with all their bewildering problems of supply. But scarcity and shortage and dislocation existed before the war. They will exist after it, to darken men's minds and poison international relations, unless some of the lessons of this war are learnt and some of its experiments embodied in more permanent machinery.

NOTES OF THE WEEK

The Russian Blitzkrieg

The past week has been the most crucial one in the history of this war—since the French collapse in June, 1940. The whole southern front of the Germans is crumbling. The spectre of a Napoleonic defeat has appeared before Hitler with an amazing suddenness. A week or so ago, it still looked as if the Russians were scoring brilliant successes in a campaign for limited objectives; they were recapturing the Caucasus and driving into the Donetz basin. The Germans were apparently still resolved to defend the ground they held as well as they could. Then the sudden capture of Kursk wholly changed the position. Their old line in the eastern Ukraine was broken at one of its most important points. The break-through at Kursk may well appear in a historical perspective as the Sedan of the east. The events which followed can, in a sense, be compared to the collapse of the Maginot line. Within a few days the Russians regained Shakhty, Voroshilovgrad, and nearly the whole of the Donetz basin. From Bielgorod and Kursk they enveloped Kharkov by overwhelming, top-speed moves, in which their superiority in the field proved itself to an extent altogether unsuspected by the German High Command. It was in the days which followed the capture of Kursk that the Germans made the first hints at a deep withdrawal all along the southern front. Rostov was apparently to be given up; but the German divisions there were to fight a long and stubborn delaying battle to enable the main forces to disengage themselves from the traps and pockets inside the Donetz bend. But the city's defenders were taken by surprise by the Russian crossing of the unfrozen stretch of the Don to the south-west. The "gateway to the Caucasus" was probably stormed and taken by the Russians too early to allow for an orderly German retreat from the Donetz

basin. Then, two days after the fall of Rostov, Kharkov, too, fell. Whether the evacuation of Kharkov was also part of the German plan of retreat seems to be less certain. They may have hoped to keep the city even after the fall of Rostov, as they did last year. Whatever the truth, they surely intended to fight at least a long delaying action. Kharkov was defended by picked SS troops, and by at least two tank divisions. Yet here, too, General Golikov's soldiers overcame the defence by a feat of Blitzkrieg which matches all German precedents. With the loss of Kharkov, the Germans have virtually forfeited the whole of the eastern Ukraine, with its enormous agricultural and industrial wealth, and with its well-developed rail network.

The Next Stage

The next stage of the campaign depends on a variety of factors which it is still difficult to assess. During the whole Russian campaign, the shape of the railways (rather than the shape of the rivers) dominated the course of the fighting. After the loss of their east Ukrainian communications, the Germans have to rely for supplies on the western Ukrainian rail network of which Kiev is the centre. In a straight line, about 280 miles lie between Kharkov and Kiev. The distance between Stalingrad and Kharkov is 400 miles. If the speed of the Russian advance is maintained (and it has been on the increase recently), the fighting may well shift, not to the Dnieper, but beyond. The question is whether the Russian communications and supply services will allow the offensive to sweep forward at the same rate as hitherto. The Russians are very confident about

this, and the fact is that the offensive has so far gathered, and not lost, momentum as it has advanced. Another incalculable factor is the weather. The spring thaw may impede movement, though this year's mild winter ought to produce a correspondingly "mild" thaw. The fact that the Russians have won the battle for the railways in the eastern Ukraine makes them less dependent on the weather than are the Germans. This is one of the cumulative advantages of the offensive. Another one is that the fighting on the southern front is bound to react upon the position in the centre and in the north. A deep Russian advance into the western Ukraine would force the Germans to shorten the front by retreats on the other sectors. Orel, Rzhev, Vyazma and some other hedgehogs would become untenable. The outlook from the German point of view may become almost catastrophic. Its foreboding has been clear in General Dittmar's recent comments. His only hope now is that the Germans during their retreat will enjoy the advantages of space, as the Russians did before. The important difference is that the Russians were retreating in their own territory, whereas the Germans have to withdraw through space filled with enemies. "Space" is not a military or political blank submitting passively to the manoeuvres of enterprising commanders. This has already been illustrated by the speed with which the present Russian offensive has overcome towns numbering hundreds of thousands or even a million of inhabitants, though the Russians themselves during their retreat were able to hold out in these towns for much longer. Another advantage of the offensive is that, as the Russians advance, the guerrillas, who have so far not been very prominent, will come again into play. Yet the problem of space exists nevertheless; and who will benefit by it—the Russians or the Germans—depends on the size of the Russian reserves and on the degree of the German exhaustion. Russian superiority, it should not be forgotten, is relative; its margin is determined by the rate of losses inflicted on the Germans.

Wartime Politics

It is an old trick of the Nazis to accuse their opponents of having committed this or that devilry when they in fact propose to commit it themselves. It is a politicians' trick; the Nazis are first and foremost politicians. A version of the same trick has lately been seen in this country. Certain Tory circles have accused their political opponents of having broken a non-existent political truce. This they have done not because they really wish all lips to remain sealed on controversial questions, but because they think the time ripe to express their own views on these questions with the utmost vigour and acerbity. Thus they prepare the way for their own partisan pleas, by accusing the other side of making their own pleas illegitimately. These pleas should certainly be stated. It is all to the good that the fundamental issues which surround, say, the Beveridge Report, should be stated frankly and strongly by all parties. Only by this means can the forgotten man in modern politics, the citizen, be given the grounds on which to make his choice and decision. The electoral truce, due to war conditions, has meant that he is only seldom stimulated to agreement or opposition by speeches on the hustings. On the wireless there is a disdain of the issues that count, not because of the war, but because of the peculiar technical monopoly and state connection enjoyed by the BBC. Every opportunity therefore for showing the dividing lines of opinion about the future of policy should be taken, in the press and elsewhere. It is a good thing, for the Left even more than for the Right, that the Conservatives have made their démarche against the Catering Bill; the electorate now knows where they stand. It will be a bad thing if all the crucial differences which underlie the parties' estimation of the Beveridge Report are hidden by a conventional and formal agreement.

This is why it was a surprising act for Mr Greenwood, apparently without consulting the rank and file of the Parliamentary Labour Party, to associate himself with a Commons motion, not accepting the Beveridge Report as such, but simply welcoming it as indicating the lines on which future policy might proceed. Coupled with him in this motion was Sir Arnold Gridley. It is nonsense to suppose that Mr Greenwood and Sir Arnold Gridley could ever contemplate working in double harness; and, in the debate, although Sir Arnold spoke in favour of a Ministry

of Security, extended insurance and children's allowances, his insistence on their costliness meant that, in effect, he opposed the plan while Mr Greenwood supported it. At first sight, the motion which they both supported seemed simply a formal act, to permit of the widest possible discussion in this week's debate. Closer inquiry, however, showed that it was not agreed by the parties concerned; that the Parliamentary Labour Party was from the first restive about Mr Greenwood's action; and, to their great credit, that the Liberals refused to associate themselves with this non-committal motion, preferring to put down a motion of their own explicitly supporting the Beveridge Report—as, indeed, the Labour Party, in view of the pronouncement of the National Council of Labour, should themselves have done. Since then, the issues have been crystallised by the Labour demand for a much more specific statement of Government policy. It was never more important in the whole history of British democracy that the issues which divide group from group and party from party should be stated. It is an immense step forward, and an essential condition of progress that there should be so wide a degree of agreement about the aims to be pursued. But there is nothing to be gained, and much to be lost, by concealing the disagreements that exist about the means to be pursued. The citizen has been disfranchised and set aside for so long that the least he is entitled to is a clear knowledge of the different views which are held by his would-be political leaders about the shape of government to come.

Ordeal In India

Once again, Mr Gandhi is fasting, not this time "unto death," but for 21 days. His object appears to be twofold: to pin responsibility for his imprisonment and the recent disorders upon the Government of India; and to secure his unconditional release. It is hard to see how this perilous experiment can prove anything but Mr Gandhi's own admitted resolution and endurance. An attempt has been made by various Indian politicians, apparently under the inspiration of Mr Rajagopalachari, to use the occasion to bring together members of the warring groups to discuss a settlement. Actually, this experiment was doomed to fail from the start. The view of the Moslem League, inevitably, is, first, that if Mr Gandhi chooses to starve, it is his own business; and, secondly, that if his object is to secure an Indian settlement which rules out Moslem claims his venture is irresponsible in the extreme. Nor has the reaction of non-Congress Hindus been more favourable. To the Hindu Mahasabha, Mr Gandhi's fast is irrelevant to the Indian problem. In fact, of course, it is not irrelevant. It is a deliberate attempt by Mr Gandhi to blackmail the Government into accepting the Congress claims. Mr Gandhi knows very well that the mere fact of his fasting, and its dangers to him personally, must have considerable effects upon Indian sentiment and opinion. Three members of the Executive Council have resigned. The Viceroy has acted with caution and wisdom. He has offered to release Mr Gandhi during the duration of his fast, though, if he cannot be unconditionally released, the Mahatma prefers to remain in his present comfortable setting. The Viceroy has also permitted Mr Gandhi to see visitors. He has done everything in his power to prove the obvious—that is, that this fast is Mr Gandhi's concern alone, and that none of its possible consequences can lie at the door of the Government of India. While it is obvious that the playing of Mr Gandhi's last card cannot in the least advance the solution of the Indian problem, it is enormously important that the curtain of secrecy which has overlaid Indian events for far too long should now be raised. It is plain that the terrorist campaign, which followed the Congress resolution and Mr Gandhi's arrest, a campaign deliberately planned and not in any sense merely the consequence of the arrest, has failed. That is why Mr Gandhi has played his last card. Nevertheless, the problem remains, and it will be impossible for any person in this country to arrive at a final judgment about the rights and wrongs, and possible next lines of action, until, first, what has been happening in India is made generally known; and, secondly, the proof which the Government of India claims to have about the precise inspiration of the recent terrorism is published in its entirety.

The Tunisian Puzzle

The week has brought some unpleasant developments in Tunisia. The Germans have attacked two American positions, Sbeitla, the central Tunisian railway junction,

and Gafsa, an important road junction in the south. In the north, the first attack was repulsed. The Germans were pushed back to the Faid pass; and both sides are said to have suffered heavy losses in tanks, on the American side heavy enough to delay an immediate Allied counter-offensive. On Wednesday the onslaught was resumed; and Sbeitla has again been threatened. In the south, Gafsa has been evacuated by the Americans, and the Axis forces are still advancing. The German attacks are probably intended as a diversion to forestall the overdue Allied offensive. Incidentally, they have done away with the weather argument, which was used to explain the lull in Tunisia. Even if the Germans are taking advantage of the fact that the ground has been drying out, the Allied spokesmen who forecast that the rainy season would last until the end of March ought perhaps to take a few supplementary lessons in meteorology. The other puzzling point bears upon the American losses. Von Arnim is said to have lost "at least 20 of his tanks." If the Allied losses are in any reasonable proportion to that figure, it is somewhat difficult to understand why the knocking out of some twenty or even thirty Allied tanks should delay the campaign. It is now possible to get some picture of the enemy's general strategy. The fall of Gafsa has removed a threat to Rommel's positions behind the Mareth line. He has been assigned the task of pinning down Montgomery's forces in front of it—its defences have been considerably strengthened during the last three months. Von Arnim is apparently still mustering fresh forces for a diversion on a larger scale than this week's attack. The twin push towards Sbeitla and beyond Gafsa was, in all probability, a preliminary to this. Beyond the Mareth line the Eighth Army has occupied Ben Gardane, and is approaching the enemy's positions. General Montgomery may succeed in breaking the line by a concentrated attack on the El Agheila pattern, or he may perhaps try to turn the Mareth line. In any case, the course of the Tunisian campaign will be decisively influenced by what the Desert Army is able to achieve.

From Eight to Five

The Government has at last accepted the principle of universal children's allowances, but it is adopting a rate of 5s. a week instead of the 8s. proposed by Sir William Beveridge. According to Sir John Anderson, it was decided, before the publication of the report, that "by far the best and most effective measure . . . is the fullest development of the various child welfare services, which bring the benefits directly to the children." It is quite true that in many cases the provision of such services in kind is of greater value to a child than the money paid to his parents, which might easily be lost in general housekeeping expenditure. But there are serious drawbacks. In the first place, the principle abrogates parental responsibility instead of encouraging a greater sense of responsibility towards children. Secondly, it is almost impossible to be certain that the provision of such services is uniformly good throughout the country. Thirdly, it is almost as difficult to ensure that parents take advantage of such services as it is to ensure that the cash allowance is spent directly on their children. Sir John Anderson gave figures showing the number of children for whom school dinners were being provided, which he hopes will reach 2,000,000 before long. But this does not mean that all these children actually have dinner at school; it has, for instance, been reported that many LCC school-children do not take advantage of the meals provided. Sir John Anderson admitted the problem of school holidays. There is the case of the under fives as well. Possibly, the Government intends to continue after the war the provision of day nurseries and so on; he stated that the Government sees no difficulty in providing services equivalent to 2s. 6d. per head of the taxpayers, against the 1s. assumed by Sir William Beveridge as the cost of school meals. But such services will tend to destroy family life instead of encouraging it—which is the prime object of children's allowances. They are, or should be, relief measures when family life breaks down, as in wartime, or falls below the accepted standard. Thus they should continue, and should be expanded, but in addition to adequate cash allowances, not instead of them. After all, the Truck Acts are only a hundred years old. There is a further point. Sir William Beveridge's 8s. was an average rate, but he proposed that the actual payment should be graduated according to the age of the child. The Government has not made it clear whether it accepts the principle of graduation or not.

Insurance and Assurance

In the course of his statement on the Beveridge plan for social security on Tuesday, Sir John Anderson, Lord President of the Council, informed the House of Commons that the Government had decided to accept Sir William Beveridge's suggestion that the approved society system should be terminated, not because it had failed, but because there was no longer a place for it under changed conditions. This is a vastly important step forward; it attacks the administrative defect which has most of all restrained and restricted the practical benefits of British social insurance. One of the defects of the approved societies singled out for comment by Sir John is that the system is essentially one of unequal benefits for equal contributions, "however much the inequalities resulting from careful management or favourable sickness experience may be smoothed out by a measure of pooling of surpluses." The Government has not allowed itself to be deflected from the logical—and right—course by the protests of some of the groups of approved societies, one of whom, the National Federation of Employees' Approved Societies, has suggested in a memorandum that to abolish them altogether would, in their view, be a "serious blow to our democratic way of life, for the preservation of which millions of insured persons are to-day ready to make if need be the supreme sacrifice." Sir John did not say how the machinery of the societies is to be fitted into the general scheme of social insurance, but pointed out that the Government would gladly consider any scheme by which they could continue to act as agents in the administration of the national scheme in some such manner as Sir William Beveridge had tentatively suggested. The Lord President, further, announced that the Government had agreed to Sir William's proposal that death grants should be one of the benefits under the unified system of social insurance. The amount of the benefit, and the transitional arrangements needed to overcome the technical problems arising from the existing volume of voluntary insurance, are still under consideration. Finally, Sir John, not unexpectedly, announced that the Government does not propose to adopt Sir William's suggestion that the business of industrial assurance should be converted into a public service. In other words, the Government has not yet faced the dilemma arising from the divorce of death benefit and health insurance from the industrial life offices.

Australian Beveridge

The Australian Government has stolen a march on the British Government by introducing a social security plan for Australia. Last week, Mr. Chifley, the Commonwealth Treasurer, announced the creation of a national welfare fund of £A30 millions. From this will be paid an increase in the maternity grant, from a flat sum of £A5 to £A6 where there are one or two children and £A7 10s. where there are three or more, together with an allowance of 25s. a week for eight weeks, making £A15 for the first child and



£17 10s. for the third and subsequent children. Other benefits include a funeral benefit not exceeding £15 for old age pensioners, an increase of 20 per cent in the standard war pension and allowances of 15s. a week for dependent wives and 5s. for unwedded children and invalid pensioners. But Australia is beginning where Great Britain is ending, as national schemes for unemployment and sickness benefits have still to be introduced. The most interesting feature of the Australian plan is, in fact, the method that has been chosen for financing it. Unlike Sir William Beveridge's proposals, social security in Australia is, apparently, to be financed out of taxation instead of contributions. Thus, the national welfare fund is to be set up and fed by a transfer of £30 millions a year from national revenue, or of one-fourth of the receipts from personal income tax, whichever is the lower. This naturally involves a considerable increase in the scope of income tax, which will reach incomes down to £104 a year, against a present exemption limit of £156, although persons paying tax on the lowest incomes will be mainly those without dependants. Mr Chifley has thus done what contributed to Mr Fadden's fall from office some eighteen months ago.

North Africa Command

The appointment of General Eisenhower as Commander-in-Chief in North Africa, and the grouping under him of Britain's best fighting men in positions of "immediate tactical control," is a very happy dovetailing of the Allied commands. General Alexander is Deputy-Commander-in-Chief; Air Chief Marshal Tedder as Air Commander-in-Chief, Mediterranean, will be responsible to General Eisenhower for all air operations; and Admiral of the Fleet Sir Andrew Cunningham fills the same position with regard to operations on sea. The prestige, authority, enthusiasm, determination, and organising ability of General Eisenhower will be invaluable in fusing all the various elements, American, British and French, in a fighting unity—he alone can do it where the French are concerned—and at the same time, he has to advise and assist him men who know the difficulties and possibilities of Mediterranean fighting through years of hard experience. The general arrangement could not be better. Time and the fighting will prove its day-to-day working. Here the chief need is for faultless co-operation, technically between the three arms of the Services, and nationally, between the three peoples. It may be that some of the delays and disappointments in Tunisia have been due to some lack of integration on the Allied side. The most urgent problems are concerned with air cover and the degree of fusion between the different Allied air forces. The position is apparently that three separate Commands have been organised under Air Chief Marshal Tedder: the Malta Command, under Air Vice Marshal Park, the Western Desert Command, under Air Chief Marshal Sholto Douglas, and the North West Africa Command, under General Spaatz, who is also Air Marshal Tedder's Deputy for Air Operations. At the next stage of the hierarchy, Air Vice-Marshal Conyngham is in control of air support for the First and Eighth Armies—fighters and fighter bombers; and his opposite number is General Doolittle, who commands the United States 12th Army Air Force. This seems a satisfactory arrangement from the standpoint of fusion on a national basis. Strategic and tactical unity has still to be proved in the field.

Rats on the Run

In German Europe the signs of disintegration are too marked now to be dismissed as wish fulfilment. They are, after all, the obvious reaction to disaster of the quisling mind. Hitler's difficulty is that, having built up his rule upon the most cynical and opportunist elements in Europe, his only chance of maintaining their "loyalty" was to maintain his success. Now the day of reckoning is at hand, and all through the occupied continent the men of the underground are drawing up the balance-sheet in jubilation and rising confidence, the quislings in desperation and fear. The new attitude has a hundred forms, but all amount to resistance to the previously overwhelming control of Germany. The differences are only of degree. In some cases, for example, the Hungarian and Roumanian authorities, resistance is apparent in a stiffened attitude towards the Nazis' demands for more manpower to go and work or die at the front. In the case of Finland, and possibly Hungary, there are rumours, if nothing more, of attempted initiatives for a separate peace. Even the quislings most committed to

collaboration—a Doriot in France or a Pavelitch in Croatia—seem to be casting around for ways to break their ill-omened link with Nazism, and achieve some new ideological purity. The Nazis' resources for meeting this crisis of confidence are not, of course, exhausted. In every occupied country the tide of terrorism is rising, against "liberals," intellectuals, Jews. Behind many of the uneasy satellite governments stand desperate men who, having nothing but the certainty of violent death before them in the hour of Hitler's defeat, are prepared to play the card of terrorism to the last losing trick—the Kvaterniks in Croatia, Mihailov in Bulgaria, Horea Sima in Roumania. Yet a new terror can at the most only postpone the hour of collapse. Terrorism is almost as hungry for manpower as the front itself. Men must search the houses, seize the victims, guard the prisons and man the machine guns. Nor is this new terror directed against the cowed and the beaten. The counter-terror is at work from mass work by guerillas in Poland, Yugoslavia and Greece, to individual assassinations, always of the worst quislings, a General Lukoff in Bulgaria, a Seffardt and a Reydon in Holland. Manpower is doubly short, quisling manpower threatened by the unseen assassins, Axis manpower to intensify the terror to check the counter-terror. There is no escaping the vicious circle. Hitler's defeats are losing him active quisling supporters by the thousand just when his defeats makes him most dependent upon quisling support.

The Conditions of Exporting

Mr Morrison's provincial progress goes on. In a speech at Nottingham, last week, he rounded off the survey of future economic policy which has rendered him outstanding among Cabinet Ministers. His main theme was post-war exports. Exports would be more necessary than ever because of the decline in overseas income from investments and from shipping and financial services. It will be impossible to maintain, let alone to increase, the standard of living without more exports. Mr Morrison stated one true and crucial point. There is no fixed and set amount of world trade to be divided between the nations. The expansion of British exports need not mean the cutting of other countries' sales by a corresponding amount. It will only mean this if world trade is restrained and restricted by tariffs and quotas. If world trade is expanded in the interests of all by the freest possible restoration of commerce and investment, there will be enough trade and to spare. But whatever trade there is will not fall automatically into the lap of British exporters. It will have to be worked for and won. Britain will need to sell, not what it wishes to sell, but what its customers wish to buy. Here in a nutshell is the problem of adaptability and adjustment which is fundamental to the solution of all Britain's economic and social problems. Without this mobility of resources to seize the opportunities of the future, there will indeed be stagnation and decay; with it, there are bright vistas.

Retribution or Rescue?

Lord Vansittart's Motion in the Lords
That, in view of the systematic atrocities committed both by the Gestapo and the German Army, remedies should be proposed before systematic extermination has gone beyond repair,

led to a debate not on specific remedies, but on the old, old topic of Germans, Good or Bad. Lord Vansittart's concrete proposal did not amount to more than a plea that all British propaganda to Germany should be concentrated on retribution. "Tell them the remedy is in their own hands and that it is not a very difficult one"—merely to overthrow an entire totalitarian regime after ten savage years of absolute power!—"but tell them, too, that retribution is not class conscious and will not recoil before numbers, however great, if really guilty." These numbers include the Gestapo and the German Army, which Lord Vansittart later interpreted widely to include all Germans: "I think that the German Army is the German People." The suggestion is thus that the horrifying atrocities committed in Europe can be checked and the victims helped—that is Lord Vansittart's chief point—by concentrating all German broadcasts on one theme only—the common guilt and common punishment of the German people. The Bishop of Chichester replied to uphold the innocence of some sections in Germany, pointing out, very properly, that the Gestapo had tortured Germans before other peoples, and its existence and activity between 1933 and 1939 were

proof of the degree of resistance to Hitlerism. But Lord Vansittart's point was help for the victims, and the real answer to his proposed method was not made in the Lords' debate at all. It appears in a moving pamphlet *Let My People Go* by Mr Gollancz, who is as anxious as Lord Vansittart to save Hitler's victims. Lord Vansittart rather passed over the problem of rescue. "Of course, what I am proposing does not exclude . . . the extension of asylum, which I should very greatly welcome; but that is only a palliative . . . you cannot transport and lodge whole peoples." Mr Gollancz insists that to concentrate on retribution can divert energy and action from rescue.

Does not the insistence on retribution [he writes] fulfil a positive function: in the unconscious or semi-conscious, it is often an excuse for doing nothing . . . The proclamation of vengeance will bring back no single Jew from his nameless grave . . . will it prevent a single murder? If you tell them [the SS Squads] that they will be shot after the war, will they forthwith revolt against their masters and be shot at once? . . . It is imperative that the German people should learn what is happening. But everything depends on how. *Crude broadcasts, based on retribution, could only have the result of producing . . . a determination to support the Government until what is called "final victory," lest worse should befall.*

Firewatching and Production

A contretemps has arisen between the Trades Union Congress and Mr Herbert Morrison. The TUC alleges that "a good deal of manpower is wasted on tedious routine fireguard duties, especially during daylight periods," and that, after working long hours during the week, workers in essential war factories have to put in too much extra time in firewatching or attending Home Guard parades. The General Council have therefore asked the Home Secretary to relax the firewatching regulations, and the War Office to excuse from attendance at Home Guard parades men who have reached a reasonable degree of proficiency, and for whom refresher courses could be arranged. Mr Morrison has gone some of the way to meet the TUC's demands; he has replied that he cannot abolish fire prevention duties in daylight hours altogether, but he is prepared to issue an Order legalising the informal arrangements for relaxation during the daytime, which have been adopted in some areas. Whether this concession will satisfy the TUC remains to be seen. The War Office reply has not yet been given, but it seems unlikely that they will agree to any dispensation, since they do not consider that refresher courses fulfil the same object as regular parades. While it is undoubtedly necessary to maintain the fire prevention arrangements in a state of preparedness, and to keep the Home Guard in efficient working order, there is a strong case, in the interests of production, for minimising the additional burdens which war workers are called upon to undertake. It seems likely that both absenteeism, which is always highest at week-ends, and timekeeping would be improved if week-end firewatching and Home Guard duties were lessened. Many complaints on this score have been made, especially from mining districts. No doubt some people will be found to accuse the workers and the miners of "slacking," and trying to evade National Service. But in this matter, a sense of proportion is necessary, as also a sense of priorities. If excessive firewatching and Home Guard duties are definitely proved to be hindering production, by causing fatigue and bad timekeeping, then it would be wise, while the immediate dangers of fire bomb attack and invasion are, to say the least, remoter than they were, to relax the stringency of the arrangements and concentrate on output—so long as this can be done without impairing the efficiency of the national fire prevention scheme and of the Home Guard.

The Nuffield Foundation

Lord Nuffield has no heirs of his own to whom he can leave his vast fortune. Consequently, he has created them. He is handing over to trustees his shareholdings in the Nuffield Organisation, to the value of £10,000,000, as a capital fund, the income from which will be used to assist the following:—medical research and teaching; the organisation and development of medical and health services; scientific research and teaching in the interests of trade and industry; the pursuit of social studies; and the care and comfort of aged persons. Normally, the Trust's activities will be confined to the United Kingdom, but in certain cases it will be extended to the Empire, and Empire students will be able to benefit from scholarships and assist-

ance in regard to the first and third items specified. There will doubtless be many who will disapprove of this gift, from the extremists, who regard all fortunes derived from private enterprise as ill-gotten, to others, who consider that objects such as are to be assisted from the Trust should be the responsibility of the state and should not be left to private charity. Others again will think that though a large fortune is justifiable, on the owner's death it, or the larger part of it, should revert to the state in the form of estate duties and become part of the national revenue. Lord Nuffield, they will argue, has arrogated to himself the right to decide priorities in national expenditure, a right which should belong to the elected representatives of the people. There is, perhaps, some force in this argument. On the other hand, there can be no doubt that, even in a completely socialised community, there will still be some individuals who will not fit into the plan. Private benefactions cannot take the place of a national system of education, of a national health service and of a national scheme for old age pensions. But in helping an old person, who for one reason or another is still in want in spite of a generous state pension, in encouraging and financing research into a new drug whose importance has still to be established, and in providing another year's study to a scholar who has come to an end of his state grant, they will continue to fulfil a very genuine need. They cannot, and must not, replace state action, but they can prevent the machinery of state from grinding the faces of the enterprising and deserving. Lord Nuffield has earned the nation's deep thanks.

Shorter Notes

In a Shorter Note on page 206 of *The Economist*, last week, it was stated that the LCC had accepted the recommendation of its Education Committee that there should be no collaboration between the Council and the Fleming Committee. The LCC's decision would have been made much clearer if reference had been made to a Note discussing it more fully in the issues of January 30th, page 142. What the LCC is opposing is not collaboration with the Fleming Committee itself, but the sort of collaboration between the public schools and state-aided schools envisaged in the Committee's terms of reference.

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 to June....	1,838	1,922	3,760
July.....	411	871	1,282
August.....	403	509	912
September.....	207	238	445
October.....	229	370	599
November.....	24	38	62
December.....	109	201	310
1943:—			
January.....	328	507	835
Totals to date....	48,188	56,997	105,185

Of those killed in January, 107 were men, 145 were women, and 76 were children under 16.

The MERCANTILE BANK of INDIA LIMITED

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

Branches and Agencies throughout the East

EVERY DESCRIPTION OF HOME AND EASTERN BANKING TRANSACTED

Enquiries invited

AMERICAN SURVEY

All American?

Congressional views about the post-war settlement are boiling up. The great battle between "globaloney" and "isolationism" tends to obscure the quieter and more reasonable voices. Pre-eminent this week is the idea that the United States should negotiate now for air bases all over the world in return for its contribution under Lend-Lease. The scheme was first put forward by Senator Tydings, who is bitterly anti-Roosevelt, and who prefaced it by charges that reverse Lend-Lease amounted only to a "trickle." But it has been given some official sanction by Colonel Knox's statement that the United States needs air bases in the Pacific after the war; and Representative Vinson, chairman of the House Naval Affairs Committee, has announced the formation of a committee to investigate the possibility of securing additional bases through Lend-Lease machinery. A number of Congressmen already have announced their support, and it has been commended by *Time*, the Luce news magazine, and the Scripps Howard press. This is one more aspect of the movement for an "All-American" peace settlement which would include American leadership in the air, the maintenance of large armed forces after the war, and the limitation of thorough-going co-operation to Canada, which to the isolationists bears the least taint of Europe of any foreign country. The sudden stir of interest in post-war problems has produced two suggestions on machinery by which the views of Congress could be made effective. One is that of Senator Gillette and Representative Baldwin: an "American Charter" should be drawn up specifying what contributions and concessions the United States was prepared to make at the Peace Conference, in order to avoid a repetition of the failure in 1919 of Congress to follow

through President Wilson's peace proposals, and to serve notice on foreign countries that it is Congress that must be reckoned with in any enduring settlement. Another is Senator George's resolution which would create a special committee to study post-war problems. Meanwhile the members of the Administration are trying to substitute a more solid and reasonable foundation for the discussion in place of the many loose and inaccurate generalisations now current, of which the speech of the Representative from Connecticut contained the maximum number. Colonel Knox and Mr Welles pointed out last week the dangers of a spirit of narrow nationalist rivalry after the war. Mr Berle, who is a member of the Government Committee on commercial flying, testifying before the House Foreign Affairs Committee, disowned the idea that the United States should demand permanent possession of foreign bases as a price of continuing Lend-Lease; and pointed out that the acquisition of aviation rights abroad necessarily raised the question of what concessions the United States was prepared to make concerning access to its own airports. So far the voice of Liberal and non-official America has been hard to hear above the clamour; but it is noteworthy that Mr Lippmann, the well-known commentator, is urging the conclusion of written agreements with Britain providing for the sharing of Atlantic bases after the war, and the maintenance of the armed strength of both countries at a stated level.

The Task Ahead

Mr Byrnes' speech last week marks his public emergence as Mr Roosevelt's chief lieutenant on the domestic front. Mr Henderson has gone; but from this able and persuasive speech it appears that Mr Roosevelt has found a man capable of carrying on the fight against inflation with more tact and more powers than Mr Henderson possessed. The cashiering of Mr Henderson was engineered largely by his enemies among Congressional pressure groups, but it is beyond doubt that they took advantage of a public revulsion against wartime regimentations. Mr Byrnes set himself the task of making them more palatable and of explaining their necessity. After dismissing impatiently the suggestion that the American people are not ready to meet the requirements of total war, Mr Byrnes pointed out the imperative needs of 1943: the demand for even greater war production; the enlistment of additional millions; the requirements of the coming invasion of Europe, with its inevitable casualty lists. After stressing the urgency of continuing to supply Russia and China, and Britain, he stated flatly:—

We must face the fact that there is no way we can hope to improve or even sustain the customary standards of living during the coming war year. . . . We must all prepare to adopt for the duration a spartan standard of living and take patriotic pride in it. . . . Our task is to see that the present balance (between the various producers and workers) does not change for the worse and that those on the lower rungs of the economic ladder are not ground down below the margin of subsistence.

Pointing out the unprecedentedly favourable position both of labour and the farmer, Mr Byrnes stressed the very real dangers of inflation, and stated that in consequence he had requested the National War Labour Board to make no increases in wages without consulting him; and the Price Administrator not to approve raising the ceiling without consultation.

It is my purpose to exercise all the powers granted by law to prevent any further increase in the basic essential cost of living.

The limited use of price and wage incentives to increase production is not ruled out, Mr Byrnes said; and this was his defence of the increased wage bill which would result from the institution of the 48-hour week in certain centres of labour shortage. Mr Byrnes' reading of his field of command is wide; he touched on rationing, price control, taxation, and manpower policy. On all he struck a firm but sympathetic note:

No man hates regimentation more than I do. But I would be less than honest if I told you that the stresses and strains

on our civilian economy could be met without a high degree of regimentation of our civilian as well as our military life. With proper spirit and understanding among our people that regimentation may be largely self-regimentation. But whatever you call it each one of us will have to play his part in our team.

This is the theme that was once Mr Henderson's. Whether Mr Byrnes will be more successful in inducing Congress to make it its own only time will tell, but the prospects are not unduly good.

Eternal Triangle

The battle over the synthetic rubber programme is reported to be ended, with the decision—said to be Mr Byrnes'—that priorities should be granted to permit this year 43.6 per cent of the original Baruch programme. But as Mr Forrestal, Under Secretary of the Navy, said in answer to a question at a committee hearing, "You can never make these things stick when men are making their cases so strongly." The cases were indeed made strongly, both for the Services and, particularly so by the Rubber Administrator, Mr Jeffers, for the civilian consumer. Mr Jeffers monopolised the headlines, with his blasts against "Army and Navy expeditors" and "loafers" who obstructed war production; with his charge that the Army and Navy "say you can take the country off rubber, and I say you can't," and his accusation that it was impossible to get any firm decision from the WPB. He gained startled attention for the fact that not one ounce of synthetic rubber has been produced under the Government programme. Only one butadiene plant is on the verge of operations; and the Government polymerization plants are not ready either. The root of the trouble is the need for certain manufactured parts, namely valves and other machinery items, by the high-octane gasoline and naval escort vessel programmes as well as the synthetic rubber programme. Mr Jeffers demanded priorities to permit 65 per cent of the Baruch recommendations. This was opposed by the Services, who took their case from WPB to the White House. Mr Byrnes' compromise will allow the building of manufacturing plant capacity sufficient to produce 425,000 tons of synthetic rubber this year. It is considered a partial victory for Mr Jeffers, whose roars rose even above the campaign to impress on the public the dangers of the

U-boat. What is noteworthy about this particular example of the triangular pull is the replacement of Mr Nelson by Mr Byrnes as arbiter; and the evidence it provides of the persistence—in civilian as well as Service circles—of the belief in Service control, even of the civilian economy. At one point in the Committee hearings, Representative Maas of Minnesota suggested that final decisions on military and semi-military programmes such as synthetic rubber should be made by the joint chiefs of staff, with civilians acting only in an advisory capacity. Mr Forrestal's answer was "You're stating my case." It is this kind of thinking which is behind the reappearance in the Senate of the bill for an Office of Civilian Mobilisation, which, while leaving the direct control of war production to the Services, would assure over-all civilian supervision and authority.

Shorter Notes

Further information on shoe rationing shows that a number of safeguards are included to protect the consumer. Manufacturers will be prevented from increasing the production of higher-priced shoes, and special certificates will be obtainable at ration boards for those who can show need for extra pairs. Many frills and non-essential models will be eliminated, and the early development of standardised "utility" shoes at reasonable prices is expected.

An inquiry has been ordered by Senator Truman's War Investigating Committee into Aircraft Construction at Willow Run and at the Curtiss Wright plant at Columbia, Ohio. Senator Truman said that "There has been so little production at either plant as to amount virtually to none."

The points in President Roosevelt's speech last week which have been particularly welcomed in the United States are his promise that the United States is not working toward a Vichyite post-war France, and his assurance that the war in the Pacific is being given its full share of attention.

THE WORLD OVERSEAS

Canadian Altruism

(From Our Ottawa Correspondent)

January 18th

IN 1941, Canada's position with respect to its balance of international payments was simplicity itself. The problem was twofold—to finance extraordinary imports from the United States and extraordinary exports to the United Kingdom. The exhaustion of the United Kingdom Financing Act account, the so-called billion dollar gift to Britain, during December, 1942, served to recall the circumstances of its origin as well as the future. The simplicity of financial relations in 1941 is clouded by political considerations in 1943. The problem is still that of financing heavy war shipments to the sterling area, while maintaining heavy imports from the United States essential to the continuance of many lines of Canadian war production. But changes in the war have brought changes in the strategy of supply for Canada, as a surplus munitions producer. Not merely aid to Britain, but aid to the United Nations, is the theme of the 1943 problem.

Canada takes no part in the allocation of its war exports which, in practice, find their way to virtually all fronts. The deliveries of Canadian war production have exceeded \$3,000 millions in value. Recently, Mr Howe, the Minister of Munitions and Supply, said that 30 per cent of Canadian munitions went to Canadian forces at home and abroad, about 50 per cent to Britain, British combat areas and

Russia, and 20 per cent to the United States, China, Australia, and the Pacific theatres of war.

The portion going to Britain has been subject to allocation by the Munitions Assignment Board in London. Likewise, the portion going to the United States and the Far East has been largely subject to allocation by the Munitions Assignment Board in Washington. Anomalies have crept in. Canada has supplied more than \$100 millions worth of munitions, including tanks, to Russia, but these have been financed under the United Kingdom Financing Act, and, in effect, Canada has made a gift of them to the United Kingdom, which in turn arranged to let Russia have them. Since the Act was passed, Canada has established separate diplomatic relations with Russia. In a comparable way, Canadian war materials obtained by the United States under the Hyde Park Agreement have been allocated to China, and recently Canada has entered into diplomatic relations with China. From the Canadian point of view, the machinery of international financial relations has been behind the development of diplomatic relations.

The circumstances which led the Canadian Government early in 1942 to make a gift out of Canadian production of \$1,000 millions have been clarified by a recent official report on the Canadian balance of international payments to the end of 1941. The Canadian account in sterling for current



THE NEW YORK TRUST COMPANY

100 BROADWAY
MADISON AVE. AND 40TH STREET TEN ROCKEFELLER PLAZA

CONDENSED STATEMENT OF CONDITION At the close of business, December 31, 1942

ASSETS	
Cash on Hand and in Federal Reserve Bank	\$134,838,208.39
Exchanges, Collections and Other Cash Items	37,309,868.51
United States Government Obligations—Direct and Guaranteed	326,995,936.70
Other Bonds and Securities	25,117,731.19
Loans and Discounts	140,601,228.92
Interest Receivable, Accounts Receivable and Other Assets	1,699,583.21
Customers' Liability for Acceptances	92,110.06
Real Estate Bonds and Mortgages	3,431,213.93
Equities in Real Estate	1,059,005.32
Banking Premises—Equity	2,024,598.09
	<u>\$673,169,484.32</u>
LIABILITIES	
Deposits	\$614,499,284.81
Outstanding and Certified Checks	14,278,016.16
Dividend Payable January 2, 1943	437,500.00
Accounts Payable, Reserve for Taxes and Other Liabilities	1,804,420.50
Acceptances	117,828.91
Capital	12,500,000.00
Surplus	25,000,000.00
Undivided Profits	4,532,433.94
	<u>\$673,169,484.32</u>

United States Government obligations and other securities carried at \$108,018,866.82 in the above statement are pledged to secure United States Government deposits of \$99,619,388.43 and other public and trust deposits and for other purposes required by law.

Member of the Federal Deposit Insurance Corporation

expenditures, that is, trade, tourist, interest and dividends, freight and shipping, etc., was as follows:—

	(Millions of dollars) Credits	Debits
1939	\$ 571	\$ 245
1940	636	239
1941	1,095	560
	2,100	894

In three years, therefore, Canada accumulated a credit balance in sterling of \$1,206 millions. By adding capital investment made by the British Government in Canadian war plants and the expansion of air training facilities, this total was brought to \$1,770 millions. Down to December, 1942, when \$1,000 millions in Canadian funds was being used under the UK Financing Act, the total deficiency of the sterling area in Canadian dollars was \$2,770 millions. The methods by which this deficiency has been made up include the following:—

	(Millions)
UK sale of gold to Canada	84
Private repatriation (gifts, etc.)	250
Official repatriations	126
Interest-free loan to the UK	694
UK Financing Act (gift)	700
	1,000

The conditions which were met by the UK Financing Act are not expected to recur. A European offensive in 1943, bringing the Canadian First Army into action from its British bases, would mean a sharp rise in Canadian army expenditures in Great Britain. This is counted on to reverse the trend that has created a huge British deficit of Canadian dollars.

Canada's balance of payments with the United States showed a growing deficit of US dollars in the first three years of the war.

In these three years, Canada's debit balance was \$720 millions. The Hyde Park Agreement of April, 1941, was designed to correct this growing deficit of US dollars, and, under its terms, the United States agreed to charge to its British Lend-Lease account all components of Canadian production, originated in the United States and

destined for Britain. In addition, the United States undertook to increase its purchases of Canadian war production. Recently Mr. Hsley reported that Canadian war imports from the USA were now paid for to a large extent by Canadian sales to the USA. The Hyde Park Agreement has, therefore, solved the problem of Canada's deficit of US dollars, and it is expected to continue.

	(Million dollars) Credits	Debits
1939	\$ 775	\$ 864
1940	827	1,128
1941	1,042	1,372
	2,644	3,364

No Complaints

It should be made clear that no fault is found in Canada with these arrangements, by which Canadian surplus munitions find their way into pools of war supplies under the allocational control of London and Washington. It is recognised that, in practice, the authority to assign supplies must be centralised, and so far no machinery has existed outside the London and Washington assignment boards. Nor is there much demand that Canada should assume a more direct responsibility over the final disposition of its surplus. The sale by the United Kingdom of Canadian funds to other United Nations serves to secure wider distribution of Canadian munitions to fronts that need them. The distribution by American Lend-Lease of supplies purchased in Canada by the US Government serves the same purpose.

Finland's Trade Dilemma

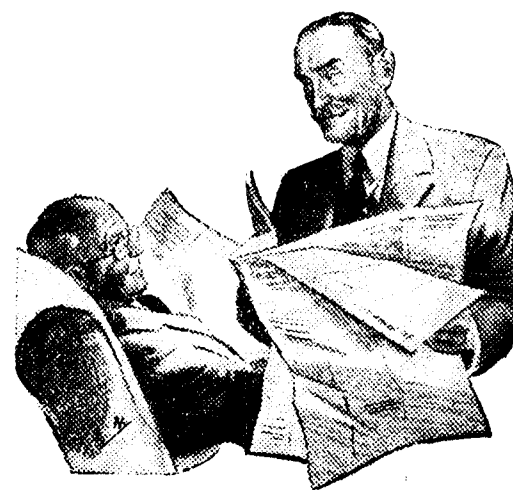
[BY A CORRESPONDENT]

FINLAND has been cut off from over 60 per cent of its foreign markets and has lost, according to German accounts, as much as 40 per cent of its merchant fleet. Foreign trade was at its lowest during 1940 and the first half of 1941 and is still very considerably below the pre-war level, in spite of increasing imports of German goods since July, 1941. This fall in trade, however, is concealed by the enormous rise in the prices of imported goods and by the smaller, but still considerable, increase in the price of exports; the official wholesale price index rose by 130 per cent for imported goods and by 79 per cent for home-produced articles, between August, 1939, and March, 1942. Finland's trade balance shows a large import surplus, partly owing to this divergence in prices and partly because Germany has to sustain its ally by sending more goods than it receives from this limited source. The last available trade returns for the eleven months ended November, 1942, which, however, do not include munitions, showed imports at 9,260 million Finmarks, and exports at only 4,559 millions, compared with 8,607 millions and 8,398 millions respectively during 1938. A rough calculation seems to indicate that the volume of exports has been reduced by about two-thirds, while that of imports may have been halved, between 1938 and 1942.

Germany's trade with Finland has risen before and during the war, both absolutely and, still more, in comparison with other countries; its share in Finland's civilian imports and exports increased from 20 to 70 per cent, and from 14.8 to 58 per cent, respectively, between 1938 and 1942. Most of Finland's remaining trade is carried on with Germany's European satellites. Its trade with Sweden, on the other hand, seems to be on the decline since goods to the value of only 330 million Finmarks were imported from that country during the first six months of 1942, compared with 580 millions during the same period of 1941; exports in both periods were at the low level of 100 million Finmarks. It has also been reported that a large proportion of the Finnish trade is carried in German ships.

The Finnish Prime Minister has described the imports from Axis sources as a means "of avoiding the most extreme hardships through the help of friendly states." The provision of the Finnish population with food, fuel and other goods is still inadequate; and the rationing of sugar, textiles and cigarettes has been tightened in recent months. But the breakdown in the national food supply, which appeared imminent last winter, has so far been avoided; the fat ration was increased somewhat in November, when the weekly ration of bread and other cereal products was raised from 5 lb to nearly 6 lb per week. To the Finns, it is unpleasantly true that the maintenance of their bread supply during 1942 was only possible by an

"3 per cent —and more!"



Why "and more"?

Because, in addition to the attractive rate of interest, 3% Defence Bonds have other big advantages.

Such as?

3% Defence Bonds never fluctuate in value, which means you can always get what you paid for them.

Any other points?

Yes. They are repayable after 10 years with a bonus of 1/- for each £5 invested; interest is paid half-yearly and Income Tax is not deducted from it at source.

How and where do I buy them?

In units of £5 through any Bank, Stockbroker, Post Office or Trustee Savings Bank or by instalments with 6d., 2/6 or 5/- National Savings Stamps.

And if I have to cash them before the 10 years are completed?

You can cash them on six months' notice, or in case of private emergency, you can apply to the Savings Bank at which your bonds are registered for repayment of the purchase price, subject to a deduction equal to six months' interest.

Any limit to holdings?

Yes, they're so good that no one may hold, or have an interest in, more than £1,000 worth.

3% DEFENCE BONDS

Issued by the National Savings Committee

HEALTH AND FOOD RATIONS

THE MINERALS WE NEED FROM OUR MEALS

Most people know that iron is a good tonic; but how many know that the body needs at least twelve minerals—including such surprising things as zinc, copper and magnesium—to keep it healthy?

There is no need to worry, however, for a normal diet of natural food supplies all the minerals necessary. The only ones of which you are at all likely to run short are calcium and iron, and occasionally phosphorus.

Children in particular need a generous supply of calcium; rickets is the result of an insufficiency of this mineral. Phosphorus, too, is important since the two go into partnership to build bones and teeth. Both these minerals are obtained from milk, cheese, sardines. Calcium is present as well in cabbage and watercress; phosphorus, in cereals, fish and eggs.

Lack of iron results in anaemia and is most important in the diet of children, especially growing girls. Get your iron supply from liver, National Wheatmeal bread, dried fruits and vegetables, particularly peas and beans.

This is one of a series of announcements issued in support of the Government's food policy by the makers of

CROOKES'

HALIBUT LIVER OIL



THE PASSAGE OF THE YEARS

HERE you see the latest model Singer as it stood in front of the coach house, newly delivered from the works, on a Spring morning in 1904.

As a matter of fact, this particular model was subsequently driven around the Yorkshire Wolds by its owner-driver for three exciting years; and it would appear that the impression it made upon him was considerable. For during the next thirty years this motorist owned seven more cars—and they were all Singers.

Now, what is it about the Singer? Perhaps the fact that this particular motorist was himself a qualified Automobile Engineer may provide you with a clue.

SINGER

Manufacturers of Automobiles for nearly half a century
SINGER MOTORS LIMITED • COVENTRY AND BIRMINGHAM

increase in foreign grain deliveries by about 90 per cent (measured by value) over the 1941 level. In Finland itself, only 425,000 tons of grains were harvested during 1942—about the same disappointing amount as in 1941, when the weather was much worse—the poor result being due to the growing labour shortage.

The Finnish trade deficit has produced a large clearing debt to Germany and other Continental countries. But while the export trade is small in itself, it consists of valuable national resources, including copper and nickel. In 1941, Finland produced 18,000 tons of copper and exported 15,000 tons; and the Government organised a big copper salvage campaign to meet the country's own requirements of 5-7,000 tons a year. During the first ten months of 1942, the export of the two items, copper and ores, was about 30 per cent larger than in the same period of 1941, although this may be partly due to an increase in price. By far the most important item in Finland's export trade is timber and timber products, and the fall in the total export figures has been very largely due to the drop in timber exports. The home supply of firewood and other timber is inadequate owing to the labour shortage, as well as to the difficulties of inland transport and, possibly, to the lack of co-operation from the forestry owners. But the German-Finnish trade talks, which took place in Berlin at the end of 1942, seem to have resulted in an agreement for the export of more timber than hitherto, including the delivery of 500,000 cubic metres of pit props during 1943; the supply of local timber to the Wehrmacht units stationed in Finland has also been increased in recent months. The Finnish Government has accordingly tried to entice the forestry owners to a greater effort, by granting them higher prices and by similar concessions. Felling activities are now mainly confined to the most suitably located areas, which has largely solved the transport problem, although at the risk of permanent damage to the forests concerned. The most serious problem, however, is that of labour; a compulsory labour service was introduced in January for all men between 19 and 65, but even this measure will hardly bring forward the necessary number. The only means of providing forestry workers will probably be to release men from agricultural duties; this, in its turn, will result in a still greater dependency of the Finns on German food supplies.

Shortages in Palestine

[FROM OUR JERUSALEM CORRESPONDENT]

November 30, 1942

SINCE the beginning of 1942 an apparent change for the worse has taken place in the food situation of Palestine's urban population. In the last six months, retail prices have risen, according to Government indices, by 17 per cent in the Arab markets and by 13 per cent in the Jewish ones, and in September they were 60 and 63 per cent respectively higher than in September, 1941, and 171 and 145 per cent respectively above the average of 1937. These figures do not, however, tell the whole story, for they are partly based on maximum prices fixed by local authorities for bread, meat, fish, eggs, poultry and so on, although these prices are not strictly adhered to. Nor do the indices reflect the deterioration in the quality of many commodities. Palestine standard flour now contains 15 per cent of barley and 15 per cent of millet, and wheat flour is only issued upon production of a medical certificate; only unrefined sugar is in use and so on. Moreover, many staple articles of local diet are actually off the market—for instance, rice, potatoes and groats—or are sold in limited quantities—for instance, bread (300 grs. per person daily—100 grs. = 3½ oz. approximately), sugar (600 grs. per person monthly), eggs (1 egg per person weekly), butter, milk and many other foods, while meat purchases are limited to four days a week. At the same time, black markets in all kinds of food continue to flourish.

These trends, typical of wartime conditions, have not as yet been sufficiently countered by Government measures.

IS THIS MAN YOU?

A persuasive speaker in public, a cool calm thinker, never embarrassed, a good loser, a good mixer, making friends without effort? If not, you need RAPIDISM, the fascinating new course, endorsed by leading psychologists.

Write now for free Booklet to:

THE RAPIDISM INSTITUTE,
544, TUITION HOUSE, London, S.W.19.

A full rationing scheme, as envisaged at first, was never put into practice, the sugar ration being the sole survivor of it. The attempts to put a brake on soaring wholesale prices, by centralising the imports in the hands of Government agencies, did not have the desired effect, and is now being partly replaced by a system of public tenders, through which Government stocks are offered for sale and import licences are granted, on condition that the retail prices are fixed in advance. No use has been made of the consumers' co-operative societies, now embracing about a tenth of total urban population, to make the control of trade more effective. The purchase of local cereal crops by a Government agency has proved a failure, as in most districts the yield has been grossly under-assessed, the balance being kept by the peasants for their own consumption or sold to Syria and to local speculators, while the Government was forced to allocate shipping space again for wheat imports from Canada. The shortage of grain and of imported fodder has caused a reduction in local poultry stocks, and little has been done to encourage potato and vegetable growing. On November 1st a point system was introduced, comprising bread, flour, macaroni, meat, fish, poultry, butter, fats and oils, eggs, cheese, sugar, jam, cocoa, tea and coffee, as well as meals consumed in establishments, but up to now its effects have been negligible. This is small wonder, as the scheme covers neither the rural areas nor most of the Arab cities, and is confined in practice to the Jewish urban sector. Moreover, it does not imply any guarantee of the availability of the goods included—with the exception of sugar. But the chief reason is that only a few families can afford to buy at current prices even the limited quantities they are entitled to under the scheme.

Under these circumstances, a rise of wages has become inevitable, the more so as the local wage-level had been previously depressed by the prolonged stagnation during the disturbances and the first year of the war. According to an agreement reached early this year, allowances are given up to 80 per cent of the war increase in the Jewish Agency's cost-of-living index, but only on the first £P8.5 of salary. No exact figures are available about the wage increases in Arab industry; but, in the Jewish sector, the present allowance is at the rate of 85 per cent. A few firms are granting more, but many industries and most commercial undertakings, banks, services and so on are making the cost-of-living allowance at the rate of about 60 per cent. During recent months many strikes have broken out, the employees demanding an increase in basic wages, apart from the cost-of-living allowances. A Commission has been appointed by the Government to inquire into the subsistence level of the unskilled worker at the present time, and to make recommendations on the method of determining the standard wage of workers and the computation of the scale of cost-of-living allowances; but simultaneously it was announced that no orders will be placed with any manufacturer granting a wage increase without authorisation by the War Supply Board.

As another step to counter further price increases, additional taxation has recently been announced in an address given by the Financial Secretary. The proceeds of these taxes are to be devoted chiefly to maintaining the present price of bread by allowing the Government to subsidise flour to the extent of £P1.5 million during the current fiscal year.

Books Received

- Germany in Peril.* By E. Meissner. (London) H. Milford. 120 pages. 7s. 8d. net.
- The Road to Total War.* By L. Wolfe. (London) Wells Gardner, Darton and Co., Kingsway, W.C.2. 123 pages. No price stated.
- Oxford Pamphlets on World Affairs.* No. 53. *The Arsenal of Democracy.* By A. J. Brown. 32 pages. No. 56. *Belgium and the War.* By G. N. Clark. 32 pages. Oxford University Press. 4d. each.
- Trials in Burma.* By M. Collis. (London) Faber and Faber. 224 pages. 2s. net.
- Let's Talk It Over.* By R. Postgate. Socialist Propaganda Committee. Pamphlet No. 2. (London) Fabian Society. 32 pages. 4d. net.
- Post-War Conservative Policy.* By The Marquess of Salisbury. (London) John Murray. 14 pages. 6d. net.
- Events in African History.* Compiled by E. W. Smith. (New York) Committee on Africa, The War, and Peace Aims. 67 pages. 50 cents. (London) Edinburgh House, 2, Eaton Gate, S.W.1.
- Keynesian Economics.* By M. F. Timlin. (Toronto) University

THE BUSINESS WORLD

Profits under Restraint

WHEN the last quarterly review of profits appeared, in *The Economist* on November 21, 1942, there were some who argued from a few increases in equity dividends and the general rise in ordinary share prices, that an appreciable increase in equity earnings and dividends was just around the corner, if not already in sight. That view was challenged here at the time, and the latest computations—for the last quarter of 1942—show that industrial earnings are as tightly under restraint now as they have been for the past 2½ years. EPT is still the great leveller; it is lopping off surplus earnings, stabilising dividends, and leaving stolid profits figures for quarterly comment in these articles.

Gross profits for 565 companies whose reports appeared last quarter showed a decline of 2 per cent compared with their previous year's total—a movement opposite to the increase shown by the third quarter's companies, and equally negligible in extent. An increase of 2½ per cent in gross profits, before standard income tax is deducted, is the wartime reward of these companies to date:—

TABLE I

565 FOURTH QUARTER COMPANIES' GROSS PROFITS—
NEW BASIS (IN £'000)

(All figures gross)

	Year 3 Preceding (1939)		Year 2 Preceding (1940)		Year 1 Preceding (1941)		Latest Year (1942)	
All interest	6,204	11.3	6,214	10.7	6,181	10.7	5,970	10.2
Preference divs.	12,739	22.5	12,674	21.7	12,637	22.1	12,836	22.9
Equity divs.	27,011	49.9	27,501	47.2	26,164	45.7	25,067	44.6
Sub-total	45,954	83.7	46,389	79.6	44,982	78.5	43,873	78.1
Free reserves and net carry forward	8,023	14.6	10,653	18.2	8,394	14.6	10,892	19.4
Other savings*	923	1.7	1,252	2.2	3,988	6.9	1,394	2.5
Profits before tax, after E.P.T.	54,900	100	58,294	100	57,364	100	56,159	100
Per cent of Year 3 preceding	100.0		106.0		104.5		102.3	
Rate of tax applied in grossing up	7/-		8/6		10/-		10/-	

* Redemption funds, deferred repairs, etc. (grossed up at corresponding rates of tax.)

The quarterly groups tend to have their own characteristics. Preference capital appears to get an unusually high share of fourth quarter gross profits—nearly 23 per cent, compared with 18½ per cent for the third quarter group and only 16½ per cent in the first quarter. This high proportion is due mainly to the large amount of Lever and Unilever preference capital; it is not evidence of a sudden change in distribution policy (which might at first sight be inferred from Table V).

No accounting innocent abroad is so naïve as to suppose that published reserve allocations even begin to tell the full story of the actual provisions. Limited though they are, however, the free reserve allocations for the year 1942 are of some interest. Including the sum of £12,034,000 set aside for the fourth quarter, the year's total amounts to £50,564,000. For the notional year "1939," the same companies put by £37,927,000. If this were all, one could not regard a £12½ million annual increase in reserves as sufficient either in relation to wartime exhaustion of assets or post-war re-equipment programmes. But if specific reserves and hidden allocations (deducted before profits are struck) have increased in like proportion, the post-war situation should be more comfortably handled, without including any prospective benefit from the 20 per cent EPT offset which has been promised, in general terms, by the Chancellor.

Table II gives the first—necessarily incomplete—impression of how companies fared in their financial years which ended during 1942.

TABLE II

GROSS PROFITS, BEFORE TAX, BY FINANCIAL YEARS

(In £'000)

Accounting Date Falling in	No. of Cos.	1938	1939	1940	1941	1942
1st Quarter	587 413	67,966	63,736	66,310	60,474	55,675
2nd Quarter	371 318	39,385	39,732	37,348	39,473	31,129
3rd Quarter	360 345 210	42,880	40,900	42,636	38,457	24,442
4th Quarter	964 873 45	156,236	162,927	154,538	149,957	5,246
Whole Year	2,282 2,176* 986*	306,467	307,295	300,832	288,361	116,487

* Incomplete results.

Certain companies, included in earlier tables have been excluded owing to the delay in issue of their reports.

We have, as yet, less than half the eventual 1942 sample; for what it is worth, it shows an increase in gross profits of less than 3 per cent, whereas the almost complete sample covering the two years 1940-41 showed a 3 per cent fall. Complete results in 1942 may well show a less than compensating improvement. In any case, profit fluctuations are so limited in extent and random in direction that industry's gross earnings are to all intents and purposes fixed—and half is then deducted for standard income tax. These results are expressed in index number form in Table III, at the foot of the article.

The past year shows a slightly improved tendency, at first sight. In fact, the behaviour of the index since 1940 is astonishingly stable. The average deviation in the past eleven quarters, compared with the 1938 level, is -0.8 per cent. In terms of reported profits (from which substantial deductions for income tax have been made at increased rates since 1939) the fall, as revealed in the index number in Table IV, is naturally steep. These figures—they might be called the profits of the financial headlines, accepted alike by the average shareholder and the average financial commentator—averaged 93.1 per cent of the 1935-36 level for reports published last quarter, compared with 129.3 for the first quarter of 1939.

Table V, showing the distribution of profits and return on capital, has now been recalculated on the new basis for the whole of 1942. Apart from the fact that the distributions of the fourth quarter continue to be distorted by the high Unilever preference capital, the new figures are rather more uniform than the old. There appears to be a tendency to



**FOR ALL
INSURANCE
NEEDS**

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

maintain distributions at the cost of reduced allocation to reserves.

TABLE III
INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS
(Four Quarters ended December, 1938 = 100)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939.....	98.1	96	97.4	98.1
1940.....	101.2	99.7	102.6	99.5
1941.....	96.7	98.8	95.9	97.0
1942.....	100	98.7*	101.9*	

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.....	129.5	125.7	124.4	121.6
1940.....	129.7	129.8	116.8	115.1
1941.....	112.9	103.7	101.0	98.6
1942.....	96.5	91.4	95.4	95.1

Of 569 fourth quarter companies in 1942, 241 disclosed allocations to depreciation of £4,772,145 against £4,758,015 in 1941. This represented 13.0 per cent of disclosed profits, on the old basis, against 13.6 per cent for the same concerns in 1941.

The industrial group figures in Table VI must be left largely to tell their own story. They show, as in recent quarters, that the consumption goods groups are faring well—with the important qualification that the food group shows a sharp reverse, partly explained by tighter rationing. The heavy industry figures are rather equivocal—it is in these groups that internal reserve policy plays a large part. Finally, the cataclysm in rubber profits has been made good

—in this quarter at least—by the rebound in oil earnings. It is not an exciting record, all told, but an efficient EPT must inevitably leave a dull record of residual profits. It is likely to do so for some time yet.

TABLE V

	Proportion of Adjusted Net Profits			Rate of Payment (Gross)			
	Pre- Div.	Ord. Div.	To Free Reserves	Deb.	Pre- Div.	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	10.6	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							
1st quarter.....	17.6	63.8	18.6	4.7	6.0	17.3	13.4
2nd ".....	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
4th ".....	25.6	50.0	24.4	4.9	6.4	14.1	9.4
Whole Year.....	20.9	56.8	22.3	4.7	6.2	13.0	10.0

TABLE VI

Group	No. of Cos.	Computed Gross Profits (£'000)		Reported Net Profits (£'000)	
		Preceding Year	* Latest Year	Preceding Year	Latest Year
Financial Land.....	45	3,724	3,497	1,768	1,955
Travellers.....	47	3,383	3,220	1,418	1,327
Canals and Docks.....	2	68	86	38	50
Elec. Supply.....	2	593	240	221	33
Hotels and Restaurants.....	7	150	353	505	691
Newspapers.....	20	642	914	1,079	973
Shipping.....	9	1,750	1,512	1,079	15
Telegraphs and Telephones.....	1	24	30	17	63
Tramway and Omnibus.....	4	234	66	175	87
Warehousing.....	6	75	352	97	247
Entertainments.....	9	1,652	1,932	528	3,060
Oil.....	4	2,336	3,707	2,530	261
Rubber.....	126	2,136	419	1,980	285
Tea.....	22	309	301	266	5,603
Breweries and Distilleries.....	49	9,612	10,337	5,918	8,290
Food and Confectionery.....	20	12,057	9,819	9,440	8,290
Shops and Stores.....	20	2,758	2,864	1,386	1,358
Textiles.....	13	587	630	544	531
Tobacco.....	2	1,657	1,607	889	882
Building Materials.....	13	870	1,089	694	917
Electrical Equipment.....	13	1,509	1,499	904	1,821
Coal, Iron and Steel.....	16	3,676	3,729	1,834	1,644
Motors and Cycles.....	22	2,550	2,958	1,372	619
Shipbuilding.....	6	750	930	617	1,051
Engineering.....	30	1,872	1,751	982	1,333
Other Companies.....	57	2,400	2,316	1,266	1,333
Total.....	585	57,364	56,158	36,543	34,738

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.

The figures of Table V. have been calculated on the new gross profits of Table I., less interest, for the whole of 1942, comparable figures on the old basis being given for the first two quarters. 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.

Finance and Banking

"Wings for Victory" Bills

There has been an unusually large turnover of funds in the money market this week. Apart from the high rate of revenue transfer, now running at peak level, the payments on vested South African securities involved a distribution of £42 millions at the beginning of the week. Dividends on Government securities due on February 15th amounted to £17 millions, gross. In order to cover its prospective deficit for the week, the Treasury called upon the banks to pay £50 millions in Treasury deposit receipts this week, this being all fresh money as there were no TDRs falling due. As against this, the current Treasury bill maturities exceeded payments for new bills by £10 millions. In addition to these various factors, the February making up has already begun to make its effect felt. When the announcement of this week's TDR payments was made, the market was inclined to expect the development of stringent credit conditions. In effect, the position has been well managed by the authorities, and though the clearing of South African repayment warrants has, as usual, proved somewhat sluggish, this factor has been balanced by the fact that most of the current TDR and Treasury bills payments have been concentrated towards the end of the week. The banks have, therefore, shown some interest in bills. It is noteworthy that demand has been specially keen for bills maturing during the week March 6th to 13th, during which the banks will be feeling the strain of the London "Wings for Victory" week. They are evidently making ample preparations for this ordeal. The Bank return shows the effect of Government borrowing at the Bank, and of the special help given to the market towards the end of last week, in a rise of £9,990,000 in Government securities. The counterpart of this is seen in increases of £6,885,000 in bankers' deposits, of £3,355,000 in other accounts and of £932,000 in the note circulation.

Tax Certificates and Bank Loans

Soon after the first issue of tax reserve certificates, the Chancellor of the Exchequer pointed out in the House of Commons "that it is entirely contrary to the wishes of the Government that subscriptions to these certificates should be financed with borrowed money." That injunction has, no doubt, been obeyed in the letter. No bank would make a loan specifically intended to finance a customer's purchase of tax reserve certificates. But where such a purchase is but one of many calls on a company's liquid resources, the actual purpose for which bank loans are being incurred cannot readily be ascertained. Available cash will be used in the purchase of certificates, and bank facilities used to finance work in progress which, but for the purchase of certificates, would have been financed by the company's own resources. The temptation to have recourse to some such device is particularly great where the firm concerned is liable to EPT. Not only is the 1 per cent return on the tax reserve certificates free from all taxes, including EPT, but the amount of the bank loan will, in the normal course, be included in the capital employed in the business, and will thus rank in arriving at the company's EPT standard. The bank will, for its part, give an equal welcome to the opportunity of stemming the persistent fall in its loans and advances. The recently published reports and accounts of three large companies, Woolworths, British American Tobacco and Imperial Tobacco, show that each of these undertakings has over its last financial year acquired a substantial amount of tax reserve certificates, and it is interesting to see from the balance-sheet changes how these purchases have been financed. In the case of Woolworths, the total of certificates acquired up to the end of 1942 was £4,000,000. This new item in the balance-sheet was balanced by a reduction of £2,000,000 in cash and of £2,200,000 in gilt-edged investments. In this case, the purchase of certificates has been made as to one-half by utilising cash which would otherwise have repaid with the company's bankers in anticipation of tax payments. The remaining half was financed by sales of other securities, suggesting that the tax free interest on the certificates was decidedly attractive to this company. The British American Tobacco balance-sheet shows a holding of £5,000,000 in tax reserve certificates, which is balanced by an increase of £4,600,000 in current

liabilities. The Imperial Tobacco balance-sheet is most significant of all, contrasting a £7,000,000 acquisition of tax reserve certificates with the appearance of a £7,500,000 bank overdraft. This juxtaposition does not provide evidence that a bank loan has been granted for the purpose of taking up certificates; indeed, the chairman of the company has pointed out that the emergence of this bank loan must be viewed in the light of the substantial increase in the value of the company's manufactured stocks. But it is difficult to escape the conclusion that if no certificates had been taken up, it would have been unnecessary for the company to borrow from its bankers on this scale.

Trustee Savings Bank Deposits

The Trustee Savings Banks Association reports an increase of £60,923,499 in the funds of the Trustee Savings Banks for the year ended November 20, 1942. The total funds of the Trustee Savings Banks at the end of this period were £446,508,957, and changes in the composition of these items and in the geographical distributions of the total were as follows:—

	1941 £	1942 £
Cash balances due to depositors:		
Ordinary Department.....	214,769,942	264,577,260
Special Investment Department.....	108,578,686	113,918,096
Government Stock held for depositors.....	50,547,899	55,266,498
Total Balances.....	373,896,527	433,761,854
Combined Surplus Funds.....	11,688,931	12,747,103
Total Funds.....	385,585,458	446,508,957
England and Wales.....	234,052,558	273,305,428
Scotland.....	133,978,471	152,033,296
Northern Ireland.....	17,554,429	21,170,233
	385,585,458	446,508,957

The expansion in the Trustee Savings Banks funds was relatively much steeper than the corresponding movement in clearing bank deposits. This is largely explained by the slowing down in the expansion of bank deposits caused by the issue of tax reserve certificates—a factor which would not have affected the growth of Savings Banks deposits.

Hire Purchase Restrictions

The already restricted scope of hire purchase business is being further narrowed by a Board of Trade order which prohibits the hire purchase of price-controlled goods with the exception of furniture, perambulators and motor cycles. The prohibition comes into effect on March 1st next. The new order also defines some of the conditions to which authorised hire purchase transactions will have to conform. The monthly instalments must be not fewer than six and not more than twelve. The new order makes it compulsory for traders to sell perambulators on hire purchase terms if they have done so before and if such facilities are required by their customers. It is further stipulated that in such cases the purchaser must deposit £2 or 12½ per cent of the price, whichever is the greater, and that 20 per cent interest may be charged on the balance. To the uninstructed this figure of the permissible rate of interest will probably come as a surprising revelation of the charges that have normally been made for this type of accommodation. The considerable reduction in the volume of hire purchase finance since the outbreak of the war has affected the discount market to which a large part of the hire purchase paper created in this country made its way. For the most part, the paper which reached the market was in the form of the promissory notes given by the purchaser, endorsed by the agents and retailers through whom the sale was arranged, and also endorsed by one of the hire purchase finance houses. It was on the strength of this last endorsement that the paper commanded the relatively fine rates at which it was taken by the market. There have, of late, been rumours in the discount market that the largest of these specialist houses, the United Dominions Trust, is endeavouring to acquire an interest in one of the discount firms. If true, it would provide an interesting illustration of horizontal combination in this sphere of financial enterprise.

THE SOCIAL FRAMEWORK

By J. R. HICKS

7/6 net

"... This book should be of use not only to the student who intends to proceed further, but also to the general reader. No one should inveigh about the Beveridge Report, our foreign trade or the Treasury, without being acquainted with the basic estimates here set out, and he will not find them anywhere better presented..." *Spectator*

MODERN BANKING

By R. S. SAYERS

12/6 net (Published in 1939)

"... This is by far the best book on the theoretical aspects of banking that has appeared for some time..." *Banker*

Oxford University Press

Life Assurance New Business

A further slight recovery in the sums assured by new ordinary life policies took place in 1942, the increase by comparison with 1941 being about 6 per cent. The increase is general—higher figures are recorded by 32 of the 42

NEW ORDINARY LIFE ASSURANCES
(In £,000's)

Office	1941	1942	Rise or Fall
Alliance	1,119	1,300*	+ 281
Beacon	635	837	+ 202
British Equitable	414	425	+ 11
Britannic	4,144	4,480	+ 336
Caledonian	968	887	- 81
Clerical, Medical and General	1,026	1,060*	+ 34
Commercial Union	5,807	4,443	- 1,364
Co-operative	2,582	5,189	+ 2,607
Eagle Star	12,320	12,648	+ 328
Equitable	778	1,016	+ 238
Equity and Law	552	656	+ 104
Friends' Provident and Century	1,956	1,929	- 27
General Life	1,128	1,210	+ 82
Gresham	1,178	1,183	+ 5
Guardian	410	1,577	+ 1,167
Law Union and Rock	1,584	1,675	+ 91
Legal and General	10,133	11,512	+ 1,379
Liverpool and London and Globe	1,351	1,264*	- 87
Liverpool Victoria	2,067	2,286	+ 219
London and Scottish	562	760	+ 198
London Assurance	1,141	1,600*	+ 459
London Life	505	585	+ 80
National Farmers' Union	871	1,205	+ 334
National Mutual of London	505	559	+ 54
National Provident	499	670*	+ 171
North British and Mercantile	1,945	2,395	+ 450
Notwich Union	6,685	7,250*	+ 565
Pearl	9,525	8,061	- 1,464
Prudential	22,400	22,800*	+ 400
Refuge	6,192	7,027	+ 835
Royal	3,195	2,664*	- 531
Royal Exchange	2,715	2,216	- 499
Royal London	5,553	5,324*	- 229
Scottish Amicable	547	632*	+ 85
Scottish Life	566	707	+ 141
Scottish Provident	1,069	1,125	+ 56
Scottish Temperance	587	662	+ 75
Scottish Union and National	610	771	+ 161
Scottish Widows	2,229	2,137	- 92
Standard Life	2,005	2,995	+ 990
U.K. Provident	1,912	1,370	- 542
Wesleyan and General	1,032	1,313	+ 281
Totals	119,006	126,273	+ 7,267

* Approximate.

offices listed in the accompanying table—and may be considered remarkable if the continuous pressure of National Service claims on staff, and the steady call-up of potential policyholders are borne in mind. Rising public confidence

in the war situation has possibly been a stimulating factor. The volume of new business written in 1942 is about two-thirds of that for 1938, the last pre-war year, but a distinction must be noted between the experience of the so-called industrial-cum-ordinary offices, with writings in the region of 85 per cent of the pre-war level, and the remaining offices, with a comparable ratio of under 60 per cent. The reason for the relatively high activity of the former group is the maintenance of large staffs for the purpose of door-to-door collection of premiums on industrial policies—staffs which in the course of this work are able to solicit new ordinary assurances as well as industrial ones—and the high earnings among the sections of the community for which these offices primarily cater. Cutting across this broad classification of the offices into two groups, there have also been wide fluctuations in the activity of individual offices; one or two are actually transacting more business than before the war, and others have receded to a quarter or less of their pre-war totals. These variations are chiefly due to the differences in policy which have previously been noted. A few offices have set out to encourage new business by offering to cover civilian war risks without extra charge, and by appealing to patriotic sentiment through the issue of policies in which the sum assured is expressed in savings bonds in lieu of cash; others have been content to accept such business as reached them without a sales effort. Companies specialising in group policies are keeping their new business at high levels.

Eire's Central Bank

The new Central Bank began its operations on February 1st, on which date the Currency Commission ceased to exist. The President, acting on the advice of the Executive Council, has appointed Dr Joseph Brennan as the first governor of the bank. He was chairman of the Currency Commission for 15 years, and was chairman of the Banking Commission which recommended the establishment of the Central Bank. The Minister for Finance has nominated the other eight directors. Three of these were chosen from a panel of six bank directors prepared by the banks. Three others were selected to represent agricultural, industrial and labour interests respectively. The remaining directors are Mr J. J. MacElligott, secretary of the Department of Finance, and Professor T. A. Smiddy, late Irish Minister at Washington.

Investment

Railway Results

There was some evidence at the beginning of the week that the investor was taking a renewed interest in equities, but the sole section which received any tangible results was that for those railway stocks which at present occupy the position of equities. There was a general rise in prices, accompanied by an expansion in business to by far the best recorded under the present system. The number of bargains received was, at 1,400, nearly double that in gilt-edged, instead of half as great, as is the more normal experience. Business fell away substantially next day, and the tone was easier, but even the more conservative elements were prepared to revise their estimates upward on the basis of the good LMS results. The only particulars so far available are the net income, dividends and allocations of three of the main line companies, and of LPTB. The relevant figures are set out in full in the table at the bottom of this page. The results of the Great Western remain to be

received, but so far the only company to show a considerable improvement is the LMS. That of the LNER is distinctly moderate, while the Southern is reduced and that of the LPTB, rather unexpectedly, slightly increased. All the companies have been more generous in their distributions than was the case a year ago. The managements appear to be doing their best to establish a precedent for high payments. In the absence of fuller figures, it may be assumed that the outstanding result of LMS is due to receipts from Irish railways and that the relatively good results of the northern lines as against the southern arises from the partial concentration of industry in the former and the closing of much of the latter to holiday traffic. The reduction in Transport "C" dividend a year ago was due to technical considerations, but this year the increased payment is more than fully earned. The market eased on the news of the main-line results, but subsequently recovered part of the fall.

	Share in Government Payment	Net Revenue	Change on Year	Appropriations		To Carry Forward		Earned		Paid		Price Feb. 18	Yield
				1941	1942	1941	1942	1941	1942	1941	1942		
Gt. Western Ord.	£ 6,670,603	£ 6,931,767†	+ 340,000	£ 250,000	£ 400,000	- 25,191	- 104,000	5.0	3.3	2	2†	61†	7.637
LMS Ordinary	14,749,698	15,590,000	+ 53,572	400,000	300,000	+ 33,000	- 8,199	2.9	3.2	4	2†	29†	8.562
LNER 2nd Pref.	10,136,355	10,700,599	+ 53,572	300,000	200,000	+ 1,334	- 11,340	2.4	3.2	2†	2†	31†	8.750
Southern Prefd.	6,607,639	6,913,514	- 20,746	...	...	+ 9,406	...	...	...	5	5	76†	6.622
Southern Defd.	...	...	...	...	...	...	...	1.8	1.7	1†	1†	23†	7.735
Transport "C"	4,835,705	4,882,967	+ 40,610	...	...	+ 23,054§	+ 6,135§	3.0	3.2	2†	3	59†	5.095

† 1941 figures.

† Market Estimate.

§ To "C" Stock interest. fund

Two-Way Proxies

Although there is no sign as yet of any movement to provide direct advice for the shareholder, as suggested in *The Economist* on January 30th, the Committee for General Purposes of the Stock Exchange has not neglected the question of improving his position. On Monday last, they passed resolutions to the effect that circulars sent to shareholders should be unambiguous and couched in simple language, setting out the proposals in such a way that reference to other documents is unnecessary; that, where the statutory notice is one week, every effort should be made to double the time, and that proxies should be drawn in such a form as to make it possible to vote against, as well as for, the resolution. This last question of the "two-way" proxy has been raised repeatedly, but had received little official support until now. The three requirements together go a long way towards easing the path of the shareholder, but it still remains to give him the best advice and an organisation. Good as the changes are in themselves, the most important point is that they have secured the approval of such bodies as the Chartered and Incorporated Accountants and the Institute of Secretaries—the latter dissociating themselves from the proposal for two-way proxies—the London Chamber of Commerce and the Associations of Investment Trusts and Insurance Companies. This is a big step forward in co-operation, and should make more certain the acceptance of the proposals by the general body of companies. The Committee will take steps to see that compliance with the new provisions is a prerequisite for obtaining either a quotation or permission to deal, but only by co-operation can the concerns, whose securities are already granted these privileges, be brought within their ambit. It is to be supposed, however, that these provisions, like those concerning the announcement of dividends, will be generally accepted. The Committee has made a notable advance by securing so large a measure of co-operation, it is believed for the first time.

Unit Trust Accounts

Municipal and General Securities are to be congratulated on being the first of any group controlling unit trusts to present any form of accounts. The Anderson Committee recommended such action in 1936 and the Prevention of Fraud (Investments) Act of 1939 prescribes the audit and circulation of the manager's accounts, but without stipulating their form. This Act is in abeyance owing to the war. The accounts presented cover the bulk results for the nine unit trusts controlled from April 1, 1931, to June 30, 1942, those for the closing six months being in an improved form. Henceforth, manager's accounts for each trust are to be submitted separately each year. The managers understand that they will in no circumstances be asked to publish figures which would give an indication of the growth of the movement and no absolute figures are given. The items for each period are expressed as percentages of total turnover, but of turnover in the particular activity under consideration. In consequence, it is impossible to obtain total charges by adding together the various percentages given—except within strict limits. An explicit warning against this should be incorporated in the statement. While it is reasonably certain that the statement will be found lacking in intelligibility, it does in fact provide a fairly accurate answer to a number of the charges levied against these institutions and, if generally adopted, would go a long way towards revealing abuses, if and when such exist, and allaying unjustified suspicions. Further, Municipal and General Securities, who have plainly put in a great deal of work, advance it only as a first attempt made with a view to providing an opportunity for criticism and improvement. Further suggestions have, in fact, already been made and are under consideration. Among others, there is being investigated the possibility of providing a fair approximation of the actual cost to the purchaser of taking up new units, either on the formation of the trust or later. This involves a complicated calculation, but it should not be impossible to reach a reasonably satisfactory basis. Another piece of information which would be of interest to, although it is not strictly the concern of, the unit holder would be to show, by percentages, how total revenue is made up and how it is spent.

The actual statements of Municipal and General cover nine pages, so that it is obviously impossible to summarise them. They do, however, make clear a number of points. The three main sources of revenue to the managers are the

net portion of the preliminary charge on the issue of new sub-units and profits on the re-sale and liquidation of sub-units. The first of these, based on the value of new sub-units issued at issue price, has varied from 2.498 per cent for the nine months to December 31, 1933, to 1.540 for 1937, there being no issues last year. The second, based on the sale of repurchased sub-units, ranges from 3.348 in 1938 to 0.541 per cent two years later. The third, based on cash received from trustees, proceeds of sale of underlying securities and value of securities transferred to holding account, was non-existent in the early years, started to be productive in 1935, dropped to a minimum of 1.200 per cent in 1938 and rose to a maximum of 2.477 per cent in 1940. In the first half of 1942 it again fell to 0.339 per cent. The only other item which is commonly as high even as one per mille is the annual participation, the management charge, which averages around 0.3 per cent of the monthly valuation of the trusts. Considerable details are given as to the methods of calculating the various figures, and the whole must be recommended as a valuable beginning. It is a great pity that absolute figures cannot be used, but the essential is to obtain an agreed minimum of information which shall have the force of law. With some of the additions suggested, the accounts now offered would, if generally adopted, go a considerable way to provide what is necessary. To economise paper, these accounts are not being generally circulated, but those interested can obtain them on application to the managers.

Concentration on the Gold Coast

It has long been apparent that, with the institution of full Lease-Lend, the need for the maintenance of gold output as a factor in the war effort of the British Empire had passed. Canada had already cut down production, Australia was moving in the same direction even before the war came to her doorstep and South Africa made some cut last year. In the circumstances, it seemed more than probable that the much-canvassed further restriction of Gold Coast output would soon become a fact. None the less, the news that the Colonial Office is putting through a measure of concentration, similar to that applied to non-essential industries at home, came as something of a shock to the investor. Actually, the market both for the concerns which are to remain in operation—these are for the most part the market leaders—and those to be placed on care and maintenance is rather poor, with prices at a considerably lower level. A part of the fall results from the general uncertainty, for the announcement gives no key to the degree of contraction, while the vagaries of EPT further complicate the assessment of any estimate of the final result. If one is to take a long term view, it is conceivable that a concern with a very poor EPT standard might benefit from being closed down now, provided this potential benefit is not discounted in the care and maintenance provision. But the whole outlook for gold mining is less certain than it appeared to be even on the outbreak of war. It is by no means clear that any long term policy, even for West Africa, ought to be read into this decision to economise essential war materials. At the same time, the application of concentration to an industry which offers such widely differing returns as does gold mining is a new departure and raises a number of points of principle. It is to be hoped that details of the scheme will be made public in due course.

Intangible Assets

The proper treatment of such imponderables as goodwill, patents and other monopoly rights in company balance-sheets has for long been a matter of dispute. In many cases, no such item occurs, while, when the ownership has changed

Most fires are caused by
CAREFUL PEOPLE

DON'T JUST BE CAREFUL—
TAKE EXTRA CARE

Issued as part of the Fire Offices Committee's
campaign against fire wastage.

hand, there is almost always a substantial balance-sheet item, usually an omnibus item, covering these intangible assets. This matter is almost the central thesis of a brochure written by Mr P. D. Leake, entitled *Balance-Sheet Values* (Gee and Co., Es.), of which a new edition has recently appeared. Mr Leake puts forward two desiderata; that all such values should be banished from the industrial balance-sheet, and that there should be no counterpart to them in the fixed share capital of a company. It is much easier to agree with the second suggestion than with the first. If both were adopted, it would mean that the shareholder had only the going-concern values of tangible assets, with the corresponding liabilities, on which to base his judgment. This is certainly infinitely superior to a valuation of fixed assets which contains an element of allowance for earning power. But is it enough? Surely it would be very much better to insist that monopoly rights should be stated in the balance-sheet at cost, and that additions to them, and amounts written off, should be fully disclosed. Presumably, where goodwill had also been bought, this item should equally be stated separately. The shareholder would then have all the information available, for it is almost impossible to place a money value on goodwill until it has changed hands, and equally difficult to assess the value of a monopoly right, arising from the exertions of the company itself, and not purchased. Pending the disappearance of such monopoly rights, some such practice as this appears to be the most helpful. The ban on issuing capital against such intangibles is a different matter. If this were insisted upon, the reserve of the company would consist, at the moment of formation, of the balance-sheet value of intangibles. Mr Leake suggests, *inter alia*, a register of wasting assets and the fixing of the obligation on every company to state the surplus or deficit on its fixed share capital. This would, presumably, mean that the reserves and carry forward of a company at any time would consist of two elements, the surplus or deficit on fixed assets, and the net liquid assets. If intangibles were included, as it seems they should, there would be a third element, their written down value. The general adoption of such practice would considerably simplify the understanding of accounts, and the correlation of results. It would also bring the balance-sheet a long step nearer to expressing the true and correct view of the state of the company's affairs to which all auditors' certificates refer.

Company Notes

Bolsover Colliery

The full accounts of Bolsover Colliery for the year to December last show a drop in total income from £1,099,638 to £801,933, the lowest level since 1938. The directors state that the setback is due to the rise in costs. There is, however, an improvement in equity earnings from £306,718 to £347,151, representing 25.9 against 22.9 per cent, for which the drop in tax liability, from £691,000 to £375,000, and the redemption of debentures are responsible. The saving in taxation is due partly to the fall in profits and partly to the fact that in 1941 an exceptional retrospective provision was made to cover the 1940 liability, increased by the rise in the standard rate. Thus, the management is able to repeat the total ordinary payment of 15 per cent, and the transfer of £50,000 to general reserve; to raise the transfer to development reserve from £60,000 to £82,651; and to increase the carry forward from £136,121 to £150,029. The balance-sheet shows a number of swollen liquid items. The chairman, Mr N. B. Brooks, points out that the rise in debtors from £519,723 to £543,428 is due to the latest advance in the price of coal, and that the jump in creditors from £1,080,393 to £1,310,016 is mainly a function of tax liability outstanding. The £400,000 of newly acquired tax reserve certificates have been liquidated in settlement of tax claims since the date of the accounts. The redemption during the year of £400,000 6 per cent debentures has freed the debenture redemption fund of £141,389 for general application. This sum is now added to development reserve which, with the latest transfer from profits, is brought up to £500,000. Mr Brooks states that output again exceeded that of any pre-war year. The return of men from the forces, however, did no more than maintain the total number of the company's employees, and there is no doubt that labour supply remains a critical factor. On the question of the ultimate organisation of the industry, Mr Brooks understandably stresses the importance of arriving at a permanent settlement with the minimum of delay. The £1 ordinary stock, at 52s. ex dividend, yields £5 15s. 3d. per cent.

English Electric Assets

The sole addition to the information contained in the preliminary statement of English Electric concerning profit allocations to be extracted from the full accounts for last year is that general reserve again receives the usual £100,000, permitting an increase in carry forward from £51,018 to £53,030. The rise in profit, apart from the Napier dividends, suggests a considerable expansion in capital employed, but there is little indication of this in the accounts. Fixed assets are higher by £54,253, after providing depreciation of £100,000. Total liquid assets are £209,000 higher on the year, while the net figure is down by some £93,000. There is a substantial transfer from debtors to stock-in-trade, and the bank overdraft is reduced by almost £1,500,000 against a slightly smaller rise in creditors. The principal changes of interest are those associated with the Napier acquisition. Almost 90 per cent of the capital has been acquired, and this is taken in at par, namely £493,495. This already constitutes a considerable undisclosed reserve. The English Electric shares, issued in exchange, amount to only £394,669 at par. There is no addition to published reserves on account of the difference, which is some £98,000 after allowing for purchases of fractions in cash. There is thus a further hidden reserve of this amount. Since, however, the company's fixed assets are already so written down that it is earning some 25 per cent, after taxation and all charges, other than a nominal depreciation, on them, such minor concealments hardly matter.

Imperial Tobacco Assets

As was suggested in a note on the preliminary statement in *The Economist* of January 30th last, profits of Imperial Tobacco, after depreciation and tax, are some £11,000 lower at £7,970,338 against £7,981,241. The allocation of profits is analysed in the following table, which shows that the concern is able to maintain the 17½ per cent tax free ordinary dividend, to repeat the transfer of £500,000 to general reserve and to raise the carry forward from £1,666,436 to £1,701,032. Despite the increased tobacco duty, the group is still able to sell its full quota of supplies. The rise in the balance sheet value of assets of £20,000,000 to £117,125,374—which took place exclusively among liquid assets—reflects mainly financial factors. Thus, as Lord Dulverton points out, the rise in stocks from £28,527,715 to £43,869,197 is due in part to an increase in holdings of manufactured goods, but mainly to the inflation of values caused by the rise in duty. This factor also explains the jump of some £7,640,000 to £29,976,761 in debtors, while that of £10,725,000 to

	Years ending October 31,		
	1940	1941	1942
Profits*	8,882,829	7,981,241	7,970,338
Fees	10,000	10,000	10,000
Prof. dividends†	852,209	852,209	852,209
Ordinary stock‡:—			
Earned	8,020,620	7,119,032	7,108,189
Paid	7,512,610	6,573,533	6,573,533
Earned %	21.4	19.0	18.9
Paid %	20	17½	17½
General reserve	500,000	500,000	500,000
Carry forward	1,620,937	1,666,436	1,701,032
*After tax and depreciation. †Tax free. ‡Gross.			

£41,089,490 in creditors is due to the time lag in collecting taxation from profits. On first inspection, the balance sheet suggests that the acquisition of £7,000,000 of tax reserve certificates has been financed directly by the new bank loan of £7,500,000, and the position is discussed in some detail in a finance note on page 243. The net result of the various adjustments of liquid items is a rise in excess liquid assets of £1,864,826 to £33,486,324. Net loans from associates and subsidiaries have risen from £20,582 to £1,170,614. The financial position remains sound and the profit earning prospects of the group are as good as could be expected in present circumstances. It is unlikely that they would be seriously impaired by a further rise in the tobacco duty. The £1 ordinary shares at 148s. 7½d. ex dividend, yield £2 7s. 2d. per cent tax free.

Lampport and Holt

The preliminary statement of Lampport and Holt reports a fall in net profits for the year to December 31st last from £174,474 to £101,929. The company is repeating the 6 per cent ordinary dividend, paid in the three previous years, and covered in 1940-41 by equity earnings of 16.7 per cent. It would not be possible to repeat the 1941 transfer of £100,000 to depreciation of fleet without trenching on the carry forward, and it appears highly probable that there is a substantial cut in this provision. Indeed, the decline in net profits, which from inspection of the previous year's balance sheet would appear to be the direct result of loss of fleet, diminishes the inducement to allocate a heavy depreciation charge. At December 31, 1941, the company's statement showed ship and wharf properties reduced by £100,000 to only £439,510, while tonnage replacement reserve stood at £1,180,256 against £261,356 a year earlier. In addition, holdings of Government securities had risen from £100,000 to £274,804 and cash holdings from £841,654 to £1,792,532. There was also £394,600 available on Government tonnage replacement account. These figures suggest a considerable reduction in the total available tonnage and, in the circumstances, it is surprising that the drop in net profits is not more marked. At the present level, the ordinary payment is not in any danger. The resources available for rebuilding after, or during, the war are, however, almost certainly inadequate. On this point, the latest balance sheet should provide information of exceptional interest. The 6s. 8d. ordinary stock at 10s. 9d. yields no more than £3 15s. 10d. per cent, a level which implies market confidence in the management's ability to succeed in the post-war world.

Lister and Company Results

After the heavy fall in trading profit registered in the previous year, the 1941-42 results of Lister and Company for year ended November 30th last can be considered satisfactory. The latest trading profits of £216,521 compare with £144,814, to which level they were reduced last year from £347,459 earned in 1940. The larger part of the increase is absorbed by taxation, the company's liability having risen from £98,304 to £153,275. Equity earnings after meeting the preference payments total £37,753 against only £20,580, equivalent to 5.3 against 2.9 per cent. The ordinary dividend is raised from 2.5 to 4 per cent, double that paid in 1940, while in the preceding 7 years no payment at all had been made. The carry forward is increased some £9,250 to £22,744. In his statement the chairman, Mr W. H. Watson, states that operating difficulties have increased.

The growing shortage of labour has been met by concentration of various departments, but despite the reduced machinery activity a reasonable level of output has been maintained. Production has been concentrated on bulk goods and, in the case of yarns, on coarser counts, on which the profit margin is much lower than on the higher quality products. A new sponge rubber substitute called "Resilitex" has been developed, a purely textile product made on existing plant, and the demand appears to be highly satisfactory, although the real test must come after the war in more competitive markets. A rise of some £110,000 in cash to £289,413 and a new holding of £150,000 in Tax Reserve Certificates is accounted for by almost equal falls in debtors and stocks, the latter item now standing at £907,484. Creditors are slightly higher at £457,650, but the liquid position of the company is practically unaltered, net surplus assets totalling some £1,061,000 against £1,068,387. Provided that further labour reductions are not too severe, it is likely that the company will be able to maintain the latest results, having by now fully adapted itself to the new conditions. The £1 ordinary shares, which rose sharply on the increased dividend, now stand at 15s. 3d. and yield £5 7s. 7d.

British Tin Investment

In 1942, British Tin Investment was for the first time thrown back upon an income drawn solely from the small minority of its investments held outside enemy occupied territory. Thus, gross income has dropped from £301,431 to £27,042, and even with a fall in taxation from £28,474 to £3,435, there is only £17,230 against £256,370 available for the ordinary capital, representing some 1 against 14.4 per cent. There is, of course, no dividend, and the whole surplus is added to the carry forward, which is raised from £78,992 to £96,222. There is no prospect of any recovery from this low ebb of revenue until Japan is evicted from the conquered territories. The liquid position, although unsatisfactory, has improved. There is, of course, a marked recession in all liquid items, but the surplus of liquid assets is raised from £2,294 to £29,487, while advances to a subsidiary are down from £152,297 to £125,996. The directors state that investments quoted in London, which represent 87½ per cent of all holdings, show an appreciation of some 19 per cent at the date of the balance sheet compared with end December, 1941. There is still a substantial depreciation against the balance sheet valuation of £2,656,597, which cannot be eliminated under present conditions. The 10s. shares stand at 9s. 3d., which suggests a strong faith in recovery prospects.

Industry and Trade

Progress of Concentration

In a review of the progress of industrial concentration at a press conference last Monday Mr Dalton pointed out that some 250,000 workers had been released and 137 million square feet of factory space made available for other purposes; concentration had been carried out in 52 industries and was still in progress in nine others. Among the industries at present undergoing a process of concentration, clothing is the most important. Clothing concentration is being carried out on a regional basis, with Leeds and Manchester the main areas. In Leeds about 1,000,000 square yards of factory space have already been released, but little progress has as yet been made in Manchester, and less in London. The present programme of industrial concentration is nearing completion; the additional labour and factory space likely to be released is probably small. The 250,000 workers released by the closing down of factories do not, however, include the workers in factories which switched, partly or wholly, to other work. As this number is unknown, the total number of workers released by the present concentration programme is nearing completion does not mean that the work will soon come to an end. There may be need for frequent adjustments in the light of changes in the war production programme. Indeed, the process must be one of continuous adaptation.

Estate Agents to the Government

In creating the Control of Factory and Storage Premises as a department of the Board of Trade in April, 1941, the Government has set up its own estate agents for factories and storage premises. Originally, the purpose of the Control was chiefly to act as a clearing house for the re-allocation of factory and storage capacity released by the concentration of industry scheme. But its scope has been steadily extended. For example, it also draws on factories engaged mainly on non-essential work, or on work which could be done by other firms whose factories are not required for other purposes. By the Location of Industry (Restriction) Order, 1941, as amended by the Order of 1942, it was given control over the movement of industry, in that the transfer of existing businesses to other premises and a change in the type of work carried on in a factory was prohibited except by licence. In fact, an organisation has been set up—the Controller-General and his staff are assisted by twelve regional controllers—which is in a position, within the limits of available accommodation, to provide Government departments and their contractors with the production and storage capacity they require for war purposes in the most suitable buildings as quickly as possible. While its activities are limited to existing premises, no new construction project is sanctioned without previous reference to the Control's "books." There can be no doubt that the

Control has economised resources by avoiding unnecessary construction and, simultaneously, has been instrumental in speeding up the expansion and dispersal of production and storage. Since its creation, premises have been found and handed over for essential purposes at the rate of five to six million square feet a month. The Control should be able to play a useful part during the change-over from war to peace production after the war.

Combined Copper Committee

Last week it was announced that the Governments of the United States, Great Britain and Canada have set up a Combined Copper Committee. Mr H. O. King, jun., chief of the Copper Branch of the US War Production Board, has been appointed chairman of the new Committee. Its other members represent the three participating Governments as well as the Combined Production and Resources Board and the Combined Raw Materials Board. Both in its composition and its tasks the new Committee is analogous to the Combined Steel Committee appointed last December. It is merely a fact-finding and advisory body on matters which are not the direct concern of the Combined Raw Materials and Production and Resources Boards. In a review of copper supplies in *The Economist* on August 15, 1942, it was pointed out that the Axis countries were using their copper far more economically than the United Nations. In spite of the fact that world production is at a record level, and that the United Nations control something like nine-tenths of world supplies of this vital material, copper has become one of their scarcest materials. One of the main tasks of the new Committee will therefore be to study ways and means of increasing the efficiency in copper consumption and to make recommendations to secure the translation of the results of this study into practice. Similarly, the Committee is to consider the possibilities of increasing the copper supplies of the United Nations. But the decisions will lie with the Combined Raw Materials and Production and Resources Boards.

Coal Trade Profits

Colliery companies in Great Britain have now been informed by the Ministry of Fuel and Power of the price allowances to be given them out of the national pool under the new centralised financial arrangements. By these arrangements each coalfield is given a datum credit balance, and under the procedure adopted for the administration of the scheme each undertaking is authorised to deduct from the 5s. levy now payable by it into the pool such price allowances as the Ministry, acting through an Advisory Council on which the owners and workers, as well as the Ministry, are represented, may determine from time to time. The allowances vary according to the financial needs of each district, and although usually the allowances authorised apply uniformly to all collieries and to all classes of coal, exceptional differential arrangements apply in South Wales and Scotland. The district uniform allowances range from 1d. per ton in Somerset to 4s. 4d. per ton in Cumberland; among the principal coalfields they range from 7d. in Northumberland to 1s. 7d. in Yorkshire; while the differential allowances include 2s. 2d. per ton to certain collieries in Lanarkshire compared with 8d. per ton for other Scottish collieries; 3s. per ton on South Wales washed and graded bituminous coals and 6s. 5d. per ton on South Wales anthracite coals. In the aggregate these allowances, which apply to the first three months of the year, ensure approximately a national credit balance equal to that in 1938, but they are subject to review at the end of each three months. Their effect will be to raise the level of credit balances in the exporting districts, principally South Wales, Durham, Northumberland, and some Yorkshire collieries, at the expense of the normally most profitable of the collieries dependent mainly or exclusively on the inland trade.

Rise in Unemployment

The numbers registered at employment exchanges as unemployed on January 18th are the last ones to be given monthly. In future, unfortunately, they will only be published quarterly, and the next return will relate to April 12th.

The numbers unemployed on January 18th were 99,017—a rise of 13,193 since December 14th. About 6,000 of the rise is due to boys and girls leaving school in December; the increase in the numbers of men and women wholly unemployed was 1,977 and 3,598 respectively. The increases affected every region except two. The classified figures, with those for December 14, 1942, are given in the accompanying table. From February 22nd the Control of Engagement Order is to be extended to include women up to the age of 41, and from that date, with certain exceptions, they must obtain new employment through a labour exchange. Two new industries have lately had Essential Work Orders.

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN			
	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
Dec. 14, 1942			
Men	46,078	1,147	2,695
Boys	7,128	1	4
Women	22,337	817	159
Girls	6,400	58	—
Total	81,943	2,023	2,858
Jan., 1943			
Men	48,055	1,283	2,083
Boys	10,279	8	1
Women	25,935	1,674	110
Girls	9,439	149	1
Total	93,708	3,114	2,195

applied to them: stoneware and boot and shoes manufacture. Discussions between the Minister of Labour and the industrial catering trade on the subject of an Essential Works Order, asked for by the trade, were adjourned last Monday. The WRNS expects to increase its numbers by 20,000 this year. The Women's Land Army is now in a position to recruit 1,000 members a week. The LCC is asking for 900 nurses so that hospital beds can be put to full use. Mobilisation has now reached the stage where it is necessary to direct part-time workers into less essential work in order to continue to provide service to civilians.

Utility Cottons and Rayons

The first comprehensive display of cotton and rayon utility fabrics is on show in Manchester, and contains more than 2,000 samples, contributed by over 350 manufacturers. This represents an average range for each manufacturer of less than six "lines" and the samples cover cloths suitable for all clothing purposes. All the fabrics conform to the Board of Trade's quality specifications and price schedules. The number of specifications in the Utility schedule on which the 2,000 samples are based is about 160. The manufacturers are left free in the matter of design and the numbers of different designs they may produce from each basic specification. In contrast, pottery manufacturers are limited by the Board to a maximum number of different designs of each article they may produce. The cotton and rayon manufacturers do not appear to have been unduly lavish in fixing the numbers of "lines" to be produced, and it can be assumed that economy of labour is of paramount importance in weaving. The materials themselves are attractive, the designs simple, and colour is sufficient. Fears that "utility" would produce dullness and uniformity are proved by the exhibition to have been unjustified. The cotton fabrics will retail from about 1s. 4d. to 3s. a yard, and the rayons will range from 2s. to 6s. a yard. The productive capacity of the cotton trade is being heavily taxed and more orders than usual have been placed this month. Demands for the Forces are met first, but utility production is otherwise given high priority. Utility cloth of all kinds now amounts to 80 per cent of production for civilian use and according to a statement by the President of the Board of Trade, the limit has been reached; for technical reasons, utility specifications cannot cover all productions.

December Shopping

There was a rise of about 14 per cent in the average value of daily retail sales in December, 1942, compared with the average of the previous twelve months. The index

for all sales (1937 = 100), published in the *Board of Trade Journal* on February 6th, was 123 for December, compared with 106 for November and an average of 108 for the year to November, 1942. Rises were recorded in all departments except household goods, where the index, at 81, was the same as the average for December, 1941, to November, 1942, though there was a rise of 12 in the index from

PERCENTAGE CHANGES IN AVERAGE DAILY VALUE OF RETAIL SALES FROM PRECEDING YEAR

	Food and Perishables	Non-Food Merchandise	Total
Feb.-Dec., 1940	+2.4	+5.1	+3.6
" 1941	-1.6	-6.9	-3.8
" 1942	+3.6	+1.3	+2.6

November. The general rise compares with a normal peacetime rise of 28 per cent for the Christmas shopping month. On the whole, there was a decline of 1.9 per cent in the volume of sales between December, 1941, and December, 1942. The non-food decline was 2.8, and the food and perishables, 1.2 per cent. The accompanying table shows the percentage changes in the average value of retail sales from the preceding period, for February to December, 1940, 1941 and 1942.

Safety in Mines

There is a real danger that the drive for increased output in coal mines may lead to an increase in accidents, owing to the shortage of materials, especially timber, the use of inexperienced men at the coal face and, possibly, a relaxation of safety precautions. The accident rate has increased considerably since the war—997 people were killed in mines and quarries in 1941 as compared with 887 in 1939—and over half of these deaths were caused by falls of ground. It is, therefore, satisfactory to learn that the Safety in Mines Research Board is carrying on its work, in spite of the difficulties of wartime. The Board's 1941 report which has just been published, shows that research has been conducted over a very wide field—coal dust explosions and methods for the reduction and collection of coal dust; the preparation of more dispersible stone dust; firedamp explosions; falls of ground; the use of concrete pit props and the strengthening of timber props; the metallurgical examination of haulage; wire ropes; and protective clothing are all engaging the attention of the Board at the present time. The Board also co-operated with the Pulmonary Diseases Committee of the Medical Research Council which published an extremely valuable report on the incidence of these diseases among South Wales miners last year. It is a pity that the war should have made it difficult for the Board to carry on its arrangements for giving "safety instruction" to miners, since it is during wartime that the risks are highest and the need for constant vigilance greater.

Agricultural Research

A great deal of interest has lately been expressed in the question of the co-ordination of scientific research at all levels of production. The report of the Agricultural Research Council provides a timely and useful survey of how agricultural research is organised and co-ordinated. The Council itself is one of three Government bodies established under the Lord President of the Council "to promote and co-ordinate scientific research on all problems that affect the life and activities of the nation as a whole." It works in close contact with the other two organisations within the group, the Department of Scientific and Industrial Research and the Medical Research Council, and assists the Ministry of Agriculture and the Scottish Agricultural Department in making the knowledge and experience gained from research available to the practical farmer. The Council also keeps in close touch with the Universities and Agricultural Colleges and provides special grants to stimulate the development of research and to train young scientists. The Council is responsible for the organisation of a number of Research Institutes; others come under the control of the Ministry of Agriculture, but the great majority are independent establishments, financed by Government grants and working under the general co-ordination of the Agricultural Research Council. The Rothamsted Experimental Station, the East Malling Re-

search Station, and the various research stations and institutes at Cambridge come under this category. The Council's Report gives details of the research programme that is being carried out in various subjects, such as soil fertilisers, crop physiology and husbandry, plant breeding and genetics, grassland management, animal nutrition, dairying, storage and processing, pest control and forest products. One practical example of the value of research work was mentioned at the recent conference of the Association of Scientific Workers. To combat the wireworm pest, estimated to have caused a loss of 250,000 tons of food in each of the three years of war, a national wireworm survey was instituted under the auspices of the Agricultural Research Council. This is a subject which had previously been grossly neglected, but as a result of the survey improved methods of reducing the dangers of the pest have been devised.

The great majority of agriculturalists are, rightly, engaged on research into the urgent problems created by the war, when the need for attaining maximum productivity from the soil and eradicating pests and diseases in crops and animals is vital, but it is satisfactory to learn that post-war questions are not being neglected. The Agricultural Economics Research Institute at Oxford, under the direction of Dr C. S. Orwin, after a preliminary study, has found that farm and field boundaries all over the country were devised fully a century ago, that no material additions have been made to buildings and permanent equipment since about 1880 and that, on the other hand, there has been a complete revolution in the sciences of plant and animal production, in facilities for the mechanical cultivation of the land and in the conditions of agricultural employment. From these facts the Institute concludes that a national survey is desirable to ascertain to what extent these antiquated farming units are meeting the needs and opportunities of modern farm practice, and how far they offer scope for the trained farm manager, the employment of modern farming machinery and the specialisation of agricultural labour. Such a survey should also show whether the physical and social conditions of rural life are adequate and whether any changes are necessary in the present system of land tenure. The Institute is planning to undertake a sample survey in a specific area and the results will be awaited with interest. Clearly these subjects are vitally important, if British agriculture is to take the place in the post-war organisation of the country as an efficient and economic branch of industry.

Furniture Industry Compensation Fund

The utility furniture scheme involves the closing down of some furniture manufacturers, who are to be compensated from a central fund. Working manufacturers will pay into the fund 75 per cent of the difference remaining after receiving their estimated costs, plus 6 per cent of the maximum price. Closed firms will receive payments for care and maintenance of closed works and shops, and a division of profits. Those eligible to participate are "furniture manufacturers as defined in the Domestic Furniture Orders, who have worked upon timber supplied through the Timber Supplies Committee," who drew timber on quota after October 31, 1941, and were manufacturing domestic furniture on October 1, 1942. The scheme has been worked out by elected representatives of the furniture trade under an independent chairman nominated by the Board of Trade. An association is being formed to which both designated and closed firms will belong. The accountancy period is to be six months, and a review of the financial basis of the fund is provided for after six months, with a subsequent annual review. Manufacturers' costs, as declared by the Board of Trade, will be reviewed after six months, and they may be reviewed on the demand of any interested party.

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 April next the BALANCES of the several accounts in the above-mentioned Stocks will be STRUCK on the night of the 1st March, and that on and after the 2nd March 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. 10th February, 1943.

COMPANY MEETINGS

BRITISH-AMERICAN TOBACCO
COMPANY, LIMITED

RESULTS NOT UNSATISFACTORY

SIR H. CUNLIFFE-OWEN'S REVIEW

The fortieth annual general meeting of British-American Tobacco Company, Limited, was held, on the 15th instant, at Townsend House, Greycoat Place, Westminster, S.W. Sir Hugo Cunliffe-Owen, Bart., the chairman, presided.

The chairman, in the course of his speech, said: Referring now to the balance-sheet, you will notice that certain items show very substantial changes as compared with the previous year and I propose to confine my remarks to these items. Taking the asset side of the balance-sheet, loans and current accounts with subsidiary companies (less provision for doubtful accounts) shows a reduction of £3,473,810, as compared with the same item in last year's balance-sheet.

To some extent this reduction is due to the capitalisation of part of the amounts owing by subsidiary companies which is, of course, reflected in an increase in shares and bonds in subsidiary companies. It is also partly due to the fact that during the year under review your directors have thought it advisable to set up out of income an amount sufficient to cover the whole of the sums—fortunately not large—still due from companies now in enemy or enemy-occupied territories. For the most part, however, the reduction in loans and current accounts with subsidiary companies is due to repayments by subsidiary companies of moneys advanced.

STOCKS OF LEAF

Stocks of leaf, manufactured goods and materials at cost or under shows a substantial increase of £2,415,119 as compared with the corresponding figure in last year's balance-sheet. This is very largely due to the increased value of leaf tobacco.

You will have noticed a new item on the balance-sheet this year—"Tax Reserve Certificates"—which your company held to the value of £5,000,000 at the end of the financial year. In considering this item, I want you also to look at an account on the opposite side of the balance-sheet, "Creditors, including provision for taxation and contingencies," which has increased during the year by £3,596,944.

It has been your company's policy since the outbreak of war to place any surplus funds at the disposal of H.M. Government, with a view to assisting in the prosecution of the war. In addition to the purchase of War Loans, this has been accomplished during the past few years by paying part of your company's tax liability in advance of due dates.

During the year under review, the same policy has been followed, but instead of actually paying taxes in advance, your company has purchased Tax Reserve Certificates, which can be used for the payment of taxes due at any time within two years from the date of their purchase. This will explain the substantial purchase of Tax Reserve Certificates during the year, and, for the most part also, the large increase in "Creditors, including provision for taxation."

PROFIT AND LOSS ACCOUNT

This brings me to the profit and loss account, from which you will have noticed that the net profit for the year, after making provision for taxation and contingencies, amounts to £3,065,348, representing a reduction of £1,022,216 as compared with the previous year.

Last year we carried forward a balance of £2,338,157. To this must be added the profits as previously mentioned (£3,065,348), less the dividend on the 5 per cent. preference stock of £225,000, on the 6 per cent.

preference stock of £360,000, and the three interim dividends paid during the year on the ordinary stock, amounting to £1,979,813, leaving a disposable balance of £2,838,692, out of which the directors recommend the distribution on March 31st next of a final dividend (free of U.K. income-tax) on the issued ordinary stock of 4d. per £1 of stock, amounting to £395,963, leaving £2,442,729 to be carried forward. During the year under review only one dividend was received from China, and an amount equivalent to the net dividend after tax was set up as a reserve against your company's substantial investment in China.

During the year under review, increased taxation has been imposed on the earnings of many of your company's subsidiary and associated companies in various parts of the world, which has naturally affected the net earnings of those companies and their dividend policy. Taking all the foregoing into account, I do not think you will consider the results unsatisfactory.

SUBSIDIARY COMPANIES

I think you would like me to say something with regard to our subsidiary company in the U.S.A., in connection with whose financial arrangement with Reconstruction Finance Corporation I made reference at the meeting last year.

In addition to increased taxation, our subsidiary company in the U.S.A. is also feeling the effects of high leaf prices, to which I have already referred; nevertheless, I am glad to be able to tell you that the first of the notes which matured in May, 1942, was duly redeemed, and I have every hope that our subsidiary company in the U.S.A. will be in a position to redeem on the due date the second note, which matures in May, 1943.

Your company, and its subsidiary and associated companies in many parts of the world, had to contend with very considerable difficulties in connection with the supply of leaf and other materials. Though these difficulties do not get any less, I hope that your company will still be able to deal with them successfully.

THE OUTLOOK

Under present abnormal conditions I do not believe you will expect me to express an opinion as to what lies ahead of us; but in the absence of some major catastrophe, I am hopeful that at this time next year your directors will be able to put before you a balance-sheet no less favourable than that now under review. I am not pessimistic about the future. We all of us live in confident anticipation of complete victory, not only in Europe but in the East. When that happens, great prospects of world recovery are evident, but we must remember that there will be many difficulties to be overcome and problems to solve for a considerable period of time.

I now beg formally to move the adoption of the report and balance-sheet for the year ended September 30, 1942, including the payment on March 31st next of a final dividend (free of United Kingdom income-tax) on the issued Ordinary stock of fourpence per £1 of stock.

I may also mention that the directors have declared for the year 1942-43 an interim dividend of tenpence per £1 of stock (free of United Kingdom income-tax) also payable on March 31st next, so that the ordinary stockholders will receive on that date 1s. 2d. per £1 of stock.

Mr M. L. Whishaw seconded the resolution, which was carried unanimously.

BARROW, HEPBURN AND
GALE, LIMITED

FURTHER STEADY PROGRESS

The annual general meeting of Barrow, Hepburn and Gale, Limited, will be held on the 25th inst. at Winchester House, Old Broad Street, London.

The following are extracts from the statement of Mr G. W. Odey, the chairman and managing director, circulated with the report and accounts:—"The accounts disclose that the steady progress of the company in recent years has continued during the past year. Production and turnover have been maintained at practically the levels reached in 1941, which, in view of the increased demands of the Services upon our labour supply, is no mean achievement. Whatever the future may hold, the company can look back on its war effort during 1942 with pride and satisfaction."

LARGE TAXATION RESERVE

Once again it has been necessary to make a large reserve for taxation. As far as E.P.T. is concerned, your company has since the war began incurred a total liability of approximately a million and a half, and of this liability over a million has already been discharged in hard cash. It will be seen that our resources are equal to this obligation, but it is only because we have pursued a most conservative policy with regard to dividends and by a continuance of our policy of ploughing back some portion of our profits into the business.

Turning to the accounts of the parent company, the profits, after making reserve for taxation, were £66,878, compared with £70,293 for 1941, but after allowing for the reduction in the War Damage Contribution and the amount of £10,000 written off the buildings of subsidiary companies, the net profit carried to the balance-sheet is £48,320, which represents a small increase on the net profit for 1941.

The 6 per cent. dividend on the preference and ordinary shares, after payment of tax, absorbs £37,500 and leaves us with a carry-forward of £100,080. The steady increase in our carry-forward of recent years has thus been well maintained, and at our present rate we have approaching three years' dividend in hand which, after the past vicissitudes of the company, must be a very reassuring position for the ordinary shareholder.

The outlook for 1943 with regard to both supplies of raw material and labour is not good, and there is little doubt that our turnover and profits in the coming year will suffer a diminution. At the same time, having regard to our relatively low profit standard, the possibility of our profits falling below our standard would appear to be a most unlikely contingency.

POST-WAR POSSIBILITIES

With regard to the post-war position, I feel that we can look forward with justifiable optimism. Our productions which are vitally needed for war are, with the exception of our equipment department, equally needed for peace, and even in our equipment department our change-over from war to peace production has already been planned and will be speedily accomplished.

The demand for leather, both in this country and on the Continent, will be considerable; in fact, for two or three years after the war the demand will probably be overwhelming. Europe, we know at the present time, is starved of leather. Provided that the necessary raw materials are imported, and suitable financial arrangements can be made, the tanning industry in this country, with the improvement in its organisation, will be well able both to replenish civilian stocks in this country and also to contribute to Europe's needs. In spite of difficulties affecting labour and limitations in the choice of tanning materials available, the quality of leather has been fully maintained at pre-war standard.

WHITEHALL ELECTRIC
INVESTMENTS, LIMITED

An extraordinary general meeting and class meetings of the stockholders of this company were held on the 17th instant, in London.

The Hon. Clive Pearson, the chairman of the company, who presided, said that in the autumn of last year it had been considered wise in the world conditions ruling to take advantage of an opportunity to sell the company's property in Spain. In the judgment of the board, the prospect was unfavourable for the employment of those resources in suitable investments in electrical utility undertakings, and the company consequently had more capital than it required for its business. In the circumstances it was thought proper to propose to the stockholders a partial repayment of their capital.

The scheme submitted sought to be just as between stockholders, and in his opinion would, if adopted, strengthen the position of the company itself. The board had no hesitation in expressing their belief that the scheme was satisfactory to the company and fair to the two classes of stockholders.

In its essence the scheme might be said to be:—

1. The repayment of 10s. of each £1 preference stock held.
2. The payment on March 31st of the dividend for six months to that date at the full rate of 7½ per cent. per annum and the payment of all arrears of dividend amounting to 3½ per cent.
3. The reduction from 7½ per cent. to 6 per cent. in the rate of the cumulative dividend on the remaining 10s. of preference stock.

4. The payment in cash by Whitehall Securities of 1s. in respect of each £1 of remaining preference stock.
5. The transfer free of cost by Whitehall Securities of £2 of ordinary stock in respect of each £5 of remaining preference stock.

A few comments might be helpful on the proposed transfer to the preference stockholders of £2 of ordinary stock in respect of each £5 of remaining preference stock. The ordinary stock had a balance-sheet value at the time of speaking of rather over 6s. per £1 of stock without attaching a value to the Athens investment, and there was applicable to the ordinary stock a current income of approaching 1 per cent. It was his belief that they might look to those figures showing an improvement in the years ahead. To such an extent as they might be reasonably optimistic as to future earnings, the scheme, which involved a reduction in the preference dividend, might appear as unnecessary. It was, however, clearly impossible to say when and by how much their income from Athens would be resumed, and it was exceedingly difficult to assess in time and amount the hoped-for improvement from their investment in American and Foreign Power.

Without the scheme, taking it as a whole, there was the disability that, pending a substantial improvement in the company's earnings, the preference dividend would not be earned, and the position of the stockholders and of the company would be unsatisfactory. What the scheme did was to utilise cash in the repayment of 10s. of each £1 of preference stock, reduce the rate of dividend upon the outstanding 10s., bringing dividend requirements within the company's earning capacity, and there was left the prospect that the dividend reduction might be made good by a dividend arising from the ordinary stock, which was to be transferred free of cost, and there was, not as a prospect, but as a certainty, the increased total value of what a stockholder received in comparison with what he previously held. The old preference stock had a value which could only be reckoned at below par, whereas the cash and value receivable could not be assessed at less than 22s. or 23s.

The resolutions were duly carried at all the meetings.

TEMPERANCE PERMANENT
BUILDING SOCIETY

STRONG FINANCIAL POSITION

The board of directors have pleasure in submitting the eighty-ninth annual report and statement of accounts covering a period during which war conditions have continued to curtail the normal activities of the society.

Shares and Deposits.—Despite the fact that no active steps have been taken to secure the inflow of new capital, the combined share and deposit receipts for the year under review exceeded the total for the preceding year by £70,019. Moreover, withdrawals from share and deposit accounts showed the considerable decline of £147,813 as compared with the previous year's low total—a fact which affords unmistakable evidence of the confidence of both classes of investor. The amount standing to the credit of shareholders and depositors at the end of the year was £5,025,675—an increase of £80,936 compared with the corresponding total for 1941.

Interest Rates.—While the rates of interest payable to existing shareholders have been maintained, the necessity for restricting new investments led the directors to reduce the interest yield to new share investors to 2½ per cent. and to depositors to 2 per cent., all interest continuing to be paid net and free of liability to income tax.

Mortgages.—During recent months there has been evidence of a growing demand for mortgage facilities, the effect of which is reflected in an increase of £127,153 in the year's advances. The directors continue to exercise the greatest care in the selection of properties, ample security remaining their primary consideration.

It is gratifying to report that notwithstanding the continuance of war conditions borrowers' repayments have been well maintained. The policy of granting sympathetic consideration to borrowing members suffering financial hardship has met with warm appreciation. It is none the less noteworthy that, despite the continuance of conditions beyond the control of the society, there should be some decrease in the number of cases to be included in the statutory schedules.

Assets.—The total assets now amount to £6,228,735, representing an increase during the year of £118,516.

War Damage.—The society's scheme for financing repairs to mortgaged properties, which have been subject to air raid damage, has proved of welcome assistance to borrowing members.

Taxation.—The heavy burden of income tax, national defence contribution and liability for indemnities under the War Damage Act, remains a substantial charge upon the society's funds—a total of no less than £95,388 being required to defray these obligations.

Profit and Loss Account.—The balance of profit for the year, after making due provision for all ascertained liabilities, including income tax, national defence contribution and interest due to shareholders and depositors, amounted to £33,498, to which has to be added the balance of £27,465 brought forward from last year's account, a total of £60,963.

This amount has been appropriated as follows:—

Addition to general reserve fund	£10,000
Addition to contingency fund	£27,826
Balance carried forward	£23,137

In addition to the above-mentioned allocation, a further sum of £2,377, arising from the recovery of amounts written off in previous years, has been transferred to the contingency fund from account No. 3.

Reserves and Liquidity.—The combined total of the general reserve fund, contingency fund and balance of profit carried

forward now amounts to £1,098,137, representing 21.85 per cent. of the aggregate share and deposit capital. In this respect the society continues to occupy the premier position among large building societies.

As cash and investments now total £786,128, the balance-sheet discloses a substantial degree of liquidity. During the year investments in Government securities totalled £350,000.

Board of Directors.—The directors report with deep regret the death on September 10, 1942, of Mr G. Bradshaw Walker.

Mr Seymour J. Price, F.C.I.B., has accepted an invitation to fill the vacant directorship.

Management and Personnel.—Mr A. W. Betts, F.C.I.S., general manager and secretary, having served the society for upwards of 37 years, retired on June 30, 1942, and was succeeded by Mr Ronald Bell, formerly assistant secretary-manager.

Despite the grave inconvenience occasioned by the calling up of trained personnel, the services offered by the society to its members and to the general public have been efficiently maintained. The directors record their deep appreciation of the services thus rendered by the general manager and secretary, the principal assistants and all members of the staff.

Conclusion.—Despite the increasing difficulties and strain of wartime conditions, the results of the year's activities add materially to the confidence of your directors in the capacity of the society to emerge from the war period with its exceptional financial strength and its essential organisation maintained, ready to play its part in the work of post-war reconstruction.

JUTE INDUSTRIES,
LIMITEDMR J. ERNEST COX'S
STATEMENT

The 22nd annual general meeting of shareholders of Jute Industries, Limited, will be held in the board room of the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee, on Tuesday, the 23rd inst.

The following is the statement by the chairman (Mr J. Ernest Cox), which was circulated with the report and accounts:—

Trading profit, interest, dividends, and transfer fees exceed the previous year's figure by £14,033.

The usual sum of £50,000 has been transferred to reserve for depreciation and obsolescence, and £11,946 17s. 6d. has been provided to meet the liability for war damage contributions for the ensuing three years.

Under the heading of "Liabilities" in the balance-sheet, a sum has been included to cover deferred repairs.

After meeting the dividend of 4 per cent., less income-tax, on the preference shares, there remains, with the amount brought forward from the last accounts, a sum of £43,621. Your directors have thought it prudent, in the uncertainty of the times, to transfer £10,000 to contingent fund, leaving £33,621 to be carried forward.

Negotiations are still proceeding with a view to fixing our capital and profit standard for excess profits tax purposes. We are advised that the provisions made against this liability, as well as for income-tax and national defence contribution, are sufficient.

During the year £20,000 2½ per cent. National War Bonds have been sold.

Concentration of the industry has been arranged, and certain of our productive units have been closed. A compensation scheme has also been agreed to, under which we shall be called upon to make contributions based on profits, against which we shall receive payment for the units no longer producing.

The business of the meeting, to be held in Dundee, will be purely formal.

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED

A GOOD RESULT

The annual general meeting of Booker Brothers, McConnell and Company, Limited, was held, on the 17th instant, in London, Sir Alfred Sherlock (chairman and managing director) presiding.

The following is an extract from the chairman's address circulated with the report and accounts: The net profits this year, after providing for taxation, are £18,000 better than the previous year. This extraordinarily good result is not due

to any increase in the earnings of our sugar-producing subsidiaries, but to much higher departmental trading profits arising from the extra spending power of the people in the Colony due to increased wages. The turnover of our Demerara branch was a record, but it is now impossible to secure replacements and maintain stocks. The profits of the estates during 1941 were much the same as in the previous year, but it is expected that the 1942 results will be a little less. In 1943 I am afraid the estates will not do much more than clear expenses. The outlook for the next year or two is therefore not bright, and we may find we are unable to continue the same rate of dividend and bonuses.

Turning to the balance sheet, the principal change is that Bookers Demerara Sugar

Estates, Limited, our main subsidiary, are now debtors instead of creditors. Sundry creditors have risen by £263,907, but on the other hand investments have risen by £100,000 and we have tax certificates for £90,000. Referring to the amalgamated balance sheet, the satisfactory feature is that reserves and surplus now amount to £943,000.

I would like to express our thanks to the Ministry of Food, Sugar Division, and to the Ministry of War Transport, Liner Division, for their consistently helpful and sympathetic attitude. I would also mention that we have found the Colonial Office most helpful and co-operative.

The report was unanimously adopted, and the proceedings terminated with a vote of thanks to the chairman, directors and staff, especially those in Demerara.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: all dealings are for cash

ALTHOUGH the markings record suggests that turnover in the markets has recovered slightly after the recent steady contraction, the expansion is mainly due to the burst of activity in the home rail market caused by the increased LMS equity payment. In practically all other sections, business has shown little change, prices remaining generally steady. There was little indication in the gilt-edged market that any considerable amount of the South African vesting money now being distributed was being invested in Government securities. The most likely explanation is the fact that the institutions have already effected the transfer, while much of the current money available is going into the tap issues. On balance, some of the long and irredeemable issues were slightly lower this week, although several of the short-dated stocks registered a few minor improvements. Insurance shares, however, were firmer on the Government's statement on the Beveridge Plan. The volume of business in the foreign bond market was insufficient to affect prices, with the exception of an occasional gain for Brazilian bonds. Following on the raising of the LMS ordinary dividend, the home rail market displayed considerable activity. Bargains marked on the first two days of the current week exceeded 1,400 and 1,000, but apart from a rise of a point for Southern deferred, advances were nowhere considerable. Already on Tuesday, some hesitancy became apparent as the market speculated whether the remaining companies would follow the example of the LMS board, and the following day profit-taking reduced prices among junior stocks. In the foreign rail market, Argentine rail stocks enjoyed scattered gains on occasional support, but a point advance for BAGS 4 per cent debenture was the largest movement recorded. Canadian Pacific ordinary fluctuated erratically with intermittent support.

shares were firm in the opening dealings. Smaller gains for several leading issues, notably John Summers, Stewarts and Lloyds deferred and Bolsover Colliery, were registered. Shipping shares were distinctly dull, and the initial setbacks, occasioned by the Lamport and Holt statement, for several leading issues were nowhere recovered this week. Despite several losses, the textile group was generally firm. Listers continued to advance on the recently increased distribution, while Patons and Baldwins and Tootal Broadhurst were firm. Several stores shares improved slightly at the reopening, while international issues were dull.

A general lack of incentive, coupled with revived fears of increased Union taxation, led to rather dull conditions in the kaffir market. Losses were widespread, ranging from $\frac{1}{2}$ to $\frac{1}{4}$. East Geduld and Union Corporation were among those to lose the latter amount, while Blyvoors and West Wit Areas lost 6d. and 7½d. respectively. West African mining shares were marked down on the concentration scheme. The rubber and tea markets were dull, business falling to a minimum. In the latter section Doars fell 1s., but New Dimbula rose the same amount. Continued absence of interest in the oil market led to several minor losses for leading issues. Mexican Eagles weakened on moderate selling early this week, but later recovered.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
Feb. 11	4,754	2,879	96.7
" 12	4,963	2,775	96.6
" 15	5,512	3,225	96.7
" 16	5,611	3,145	96.6
" 17	4,917	3,100	96.7

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1943: highest, 97.2 (Feb. 3); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

Despite minor fluctuations throughout the various sections of the industrial market, prices in general remained quietly steady. An exception was the brewery group, which suffered an all-round reduction in quotations, ranging from 3d. to 1s. Tobacco shares, however, were firm, Imps improving $\frac{1}{2}$ on the annual report. Earlier gains for numerous issues in the motor and aircraft section were not always fully held, but the majority of net changes were for the better, although De Havilland after an initial gain of $\frac{1}{2}$ closed with a net loss of a few pence. An advance of 2s. for Lambert Bros. was the outstanding feature of the heavy industrial group, where Lancashire Steel Corporation "A" ordinary

OPTIMISTIC reading of the war news, together with ample funds, constituted the main influences on Wall Street during the past week. Despite some slackening in activity at the end of the previous week owing to the holiday, the reopening witnessed the largest turnover recorded for over 13 months. Large blocks of low-priced utility stocks were dealt in, and gains up to two points for numerous issues were recorded. Many were reduced the following day as support declined, but selling pressure was at no time great, although dealings again exceeded a million.

Total share dealings: Feb. 11, 1,409,000; Feb. 13*, 749,000; Feb. 15, 1,836,000; Feb. 16, 1,182,000; Feb. 17, 1,097,000.

* Two-hour session only.

STANDARD STATISTICS INDICES

(1935 = 100)

(WEEKLY AVERAGES)

	Low Jan. 6	High Feb. 10	Jan. 27, 1943	Feb. 3, 1943	Feb. 10, 1943
347 Industrials	81.1	87.4	84.5	85.6	87.4
32 Rails	72.6	76.0	74.9	75.8	76.0
40 Utilities	67.9	71.9	70.8	71.1	71.9
419 Stocks	78.5	84.3	81.8	82.7	84.3
Av. yield "A"	5.36	5.00	5.15	5.10	5.00

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Feb. 4	Feb. 5	Feb. 6	Feb. 8	Feb. 9	Feb. 10
105.1	106.1	106.1	106.0	105.8	107.5

1943: High, 107.5, Feb. 10; Low, 99.6, Jan. 2.

Capital Issues

Week ending February 20, 1943	Nominal Capital	Con- versions	New Money
By Permission to Deal	122,733	...	178,371

Particulars of Government issues appear on page 253.

Year	Including Conversions	Excluding Conversions
1943	159,607,944	155,332,444
1942	160,743,225	156,741,166

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1943	154,544,844	787,600	27,000
1942	156,535,846	178,320	...

Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1943	154,544,844	787,600	27,000
1942	156,535,846	178,320	...

Year	Deb.	Prof.	Ord.
1943	154,057,739	478,595	796,110
1942	155,647,317	82,029	1,011,820

† Includes Government issues to Feb. 9, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Minerals Separation.—Total income in year ended December 31st last £88,235 (£116,957). Net profit £68,982 (£98,829). Income from royalties £61,004 (£78,551). Ordinary dividend reduced to 25 per cent from 40 per cent. Carry forward £118,695 (£104,662). Reserve remains at £350,000.

Pacific Gas and Electric (Sooes).—Consolidated gross operating income in year to September 30, 1942, \$124,546 (\$112,446). Net operating \$48,226 (\$43,746). Net income \$21,599 (\$21,680). Earnings available for common stock \$2.12 (\$2.20) per share.

GOVERNMENT RETURNS

For the week ended Feb. 13, 1943, total ordinary revenue was £83,028,000, against ordinary expenditure of £106,465,000, and issues to sinking funds of £65,000. Thus, including sinking fund allocations of £10,886,904, the deficit accrued since April 1st is £2,488,431,000, against £2,378,076,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Esti- mate, 1942-43	April 1, 1941 to Feb. 13, 1942	April 1, 1942 to Feb. 13, 1943	Week ended Feb. 13, 1942	Week ended Feb. 13, 1943
ORDINARY REVENUE					
Income Tax	913,000	604,813	733,880	40,717	54,060
Sur-tax	78,000	59,117	54,419	4,190	4,580
Estate, etc.	90,000	77,296	80,009	1,648	1,591
Duties	15,000	11,113	11,630	100	498
Stamps	15,000	11,113	11,630	100	498
N.D.C.	425,000	214,784	296,564	5,580	5,903
E.P.T.	1,000	527	640	50	10
Other Ind. Rev.	152,200	986,236	1,202,441	52,717	66,642
Total Ind. Rev.	1,522,000	986,236	1,202,441	52,717	66,642
Customs	438,295	317,684	398,404	6,958	11,112
Excise	366,705	290,700	375,200	4,000	4,700
Total Customs & Excise	805,000	608,384	773,604	10,958	15,812
Motor Duties	34,000	37,003	27,227	213	102
Canadian Govt. Contribution	225,000	...	224,719	...	...
P.O. (Net Receipts)	10,000	12,900	12,350	1,050	250
Wireless Licences	4,300	...	3,830	...	...
Crown Lands	800	...	870	...	...
Receipts from Sundry Loans	5,000	3,078	3,315	69	91
Miscellaneous Receipts	21,000	71,555	83,941	1,100	132
Total Ord. Rev.	2,627,100	1,719,986	2,332,297	66,107	83,028
SELF-BALANCING P.O. & Broadcasting	102,523	88,500	90,400	1,650	2,000
Total	2,729,623	1,808,486	2,422,697	67,757	85,028

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Esti- mate, 1942-43	April 1, 1941 to Feb. 13, 1942	April 1, 1942 to Feb. 13, 1943	Week ended Feb. 13, 1942	Week ended Feb. 13, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	227,799	270,347	642	965
Payments to N. Ireland	9,500	6,988	6,962	...	...
Other Cons. Fund Services	7,800	7,402	7,071	...	...
Total	342,300	242,189	284,381	642	965
Supply Services	535,320	384,681	452,560	92,000	105,500
Total Ord. Exp.	569,550	408,980	480,941	92,642	106,465
SELF-BALANCING P.O. & Broadcasting	102,523	88,500	90,400	1,650	2,000
Total	579,802	417,580	490,241	94,292	108,465

After decreasing Exchequer balances by £54,499 to £2,960,814, the other operations for the week (no longer shown separately) raised the gross National Debt by £23,120,280 to £16,547 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Feb. 12th and Feb. 18th. (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) T.T. 16-85-95; bank notes at Bank of England, 17-40 kr. **Argentina.** Peso (71-45) 16-95½-17-13; mail transfers 16-95½-17-15. **British West Indies.** Florin (12-17) 7-58-62; mail transfers 7-58-64. **Portugal.** Escudos (170) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** 84-02-04; mail transfers 4-02-04. **Brazil.** 85-64½ cr. (buying). **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. **Spain.** Peseta 40-50 (Official rate):

Finance

NET ISSUES (£ thousands)

P.O. and Telegraph	200
Overseas Trade Guarantees	4
	204

NET RECEIPTS (£ thousands)

Land Settlement Act	30
---------------------	----

FLOATING DEBT

(£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942					
Feb. 14	915.0	Not available	Not available	Not available	915.0
Nov. 21	1020.0	"	"	"	1020.0
" 28	1030.0	"	"	"	1030.0
Dec. 5	1040.0	1705.5	287.1	11.0	3932.2
" 12	1045.0	"	"	"	1045.0
" 19	1045.0	"	"	"	1045.0
" 26	1045.0	"	"	"	1045.0
" 31	2,833.2	161.6	67.7	966.5	4029.0
1943					
Jan. 9	1045.0	Not available	Not available	Not available	1045.0
" 16	1040.0	"	"	"	1040.0
" 23	1030.0	"	"	"	1030.0
" 30	1020.0	1770.8	231.7	24.0	4027.0
Feb. 6	1010.0	Not available	Not available	Not available	1010.0
" 13	1000.0	"	"	"	1000.0

TREASURY BILLS

(£ millions)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1942					
Feb. 13	65.0	139.9	65.0	20.0	26
Nov. 20	85.0	178.6	85.0	20.0	33
" 27	80.0	169.0	80.0	20.1	30
Dec. 4	75.0	158.9	75.0	20.1	29
" 11	75.0	144.9	75.0	20.1	35
" 18	75.0	137.4	75.0	20.1	39
" 24	75.0	144.8	75.0	20.1	25
" 31	75.0	143.5	75.0	20.2	41
1943					
Jan. 8	75.0	133.9	75.0	20.2	46
" 15	75.0	140.0	75.0	20.1	36
" 22	75.0	148.2	75.0	20.1	33
" 29	75.0	161.0	75.0	19.1	28
Feb. 5	75.0	158.4	75.0	19.1	29
" 12	75.0	141.6	75.0	19.1	34

On Feb. 12th applications at £99 15s. 1d. per cent for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 34 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 2d. for bills to be paid for on Tuesday were accepted in full. £75 millions of Treasury Bills are being offered on Feb. 19th. For the week ending Feb. 20th, the banks will be asked for Treasury deposits to the 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 1951-53
Jan. 5	4,935	1,974	8,790	5,513
" 12	5,444	4,006	15,308	9,719
" 19	6,322	3,131	9,275	5,105
" 26	5,615	2,595	9,213	10,143
Feb. 2	6,133	2,230	7,717	8,972
" 9	5,745	2,278	6,200	8,586
" 16	...	...	12,138	7,533
Totals to date	712,164	536,266	1,011,322	73,458

* 168 weeks. † 111 weeks. ‡ 12 weeks. § Including series 1949-51. || Including all Series. Interest free loans received by the Treasury up to Feb. 16th amounted to a total value of £54,716,978. Up to Jan. 30th, principal of Savings Certificates to the amount of £94,272,000 has been repaid.

46-55 (Voluntary rate). **Turkey.** Piastres 520. **Italy.** 71.25 lire.

Market Rates.—The following rates remained unchanged between Feb. 12th and Feb. 18th:

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 Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—**United States.** 3 cent pm-par. **Canada.** 1 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Feb. 12th and Feb. 18th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1

PROVINCIAL BANK CLEARINGS
(£ thousands)

	Week Ending		Aggregate from Jan. 1 to	
	Feb. 14, 1942	Feb. 15, 1943	Feb. 14, 1942	Feb. 15, 1943
Working days	6	6	5	5
Birmingham	2,912	2,408	19,690	19,591
Bristol	3,553	3,010	15,735	15,279
Cardiff	2,442	2,098	14,821	14,416
Leeds	949	1,194	10,016	9,571
Manchester	948	1,050	6,325	6,597
Newcastle	4,411	4,516	51,707	28,797
Nottingham	12,243	11,849	86,658	86,786
Sheffield	1,581	1,338	11,094	10,254
Southampton	831	964	7,913	8,538
South Wales	184	154	887	1,157
12 towns	31,307	28,242	215,805	200,829
India*	6,528	8,523	46,318	47,435

* Feb. 7, 1942, and Feb. 6, 1943.

U.S. FEDERAL RESERVE

Million \$'s				
	Feb. 15, 1942	Jan. 15, 1943	Feb. 15, 1943	Feb. 15, 1943
Resources	13,128	12,843	12,843	12,843
Gold certifs. on hand and due from Treasury	20,150	20,493	20,493	20,493
Total cash resources	20,889	20,992	20,896	20,871
Total U.S. Govt. securities	342	421	397	375
Total U.S. Govt. securities	2,243	5,729	5,475	5,719
Total bills and securities	2,250	5,752	5,498	5,746
Total resources	24,199	28,206	27,936	28,025
LIABILITIES				
F.R. notes in circulation	8,422	12,157	12,402	12,397
Excess int. bank res.	5,360	2,090	1,700	1,640
Mr. bank res. dep.	12,005	15,278	12,942	12,747
Govt. deposits	919	122	49	280
Total deposits	14,553	14,581	14,146	14,240
Total liabilities	24,199	28,206	27,936	28,025
Reserve ratio	91.0%	78.4%	79.0%	78.4%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,741	22,692	22,663	22,648
Treasury cash and currency	3,263	3,793	3,846	3,889
LIABILITIES				
Money in circulation	11,319	15,458	15,660	15,803
Treasury cash and currency	2,513	2,521	2,249	2,489

RESERVE BANK OF INDIA

Million rupees				
	Feb. 15, 1942	Jan. 15, 1943	Jan. 22, 1943	Feb. 5, 1943
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	310	122	157	147
Balances abroad	452	662	691	852
Securities	2,586	3,508	3,558	3,558
Ind. Govt. securities	415	1,944	1,894	1,894
Investments	125	66	69	66
LIABILITIES				
Notes in circ. India	5,427	5,894	5,907	5,932
Deposits: Govt.	132	162	215	401
Deposits: Banks	425	624	515	445
Reserve ratio	80.7%	65.7%	66.1%	66.2%

BANK OF PORTUGAL

Million escudos				
	Sept. 10, 1941	Sept. 2, 1942	Sept. 9, 1942	Sept. 16, 1942
ASSETS				
Gold	12,299.8	13,764.4	13,764.4	13,764.4
Balances abroad	1,521.8	2,790.1	2,829.5	2,881.9
Discounts	335.3	258.8	259.7	254.5
Securities	329.4	354.8	354.8	354.8
LIABILITIES				
Notes in circulation	3,441.3	4,779.3	4,792.4	4,795.1
Deposits: Govt.	491.8	1,509.5	1,562.7	1,621.2
Deposits: Banks	1,795.8	3,853.5	3,841.9	3,854.7
Others	258.1	351.8	357.9	362.7
Foreign commitments	215.0	237.6	237.6	235.2

BANK OF CANADA

Million Can. \$				
	Jan. 14, 1942	Dec. 30, 1942	Jan. 6, 1943	Jan. 13, 1943
ASSETS				
Reserve Gold	228.1	0.5	0.5	0.4
Other	519.8	1018.8	1018.8	1005.7
LIABILITIES				
Note circulation	482.6	692.8	689.9	684.1
Deposits: Govt.	63.9	42.9	33.8	58.8
Chartered banks	190.7	246.9	227.9	238.3

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

OVERSEAS BANK RETURNS

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s				
	Dec. 22, 1942	Dec. 23, 1942	Nov. 14, 1942	Dec. 14, 1942
ASSETS				
Gold and stg. exch.	15.72	28.07	20.26	27.05
Advances to banks	23.73	25.91	25.70	27.94
Investments	3.84	4.46	4.46	4.46
LIABILITIES				
Bank notes	24.60	28.21	28.36	29.99
Deposits: State	7.00	9.24	9.93	10.88
Banks and others	10.67	20.29	19.87	18.43
Reserve to sight liab.	37.0%	48.6%	50.1%	47.0%

UNITED KINGDOM: MONTHLY STATISTICS

Unit of Measurement	Monthly Average											
	1929	1932	1939	1940	1941	1942	1942	1942	1942	1942	1942	1942
Population mid 1939, 47,676,000; Area, 95,030 sq. miles												
1. Retail trade, Gr. Brit.: Food	100	78	108	111	110	123	108	111	117	110	105	113
2. " " Other merchandise	100	83	102	107	99	126	102	106	109	108	112	109
3. " " Total	100	81	105	109	105	126	104	108	104	108	111	106
4. Registered unemployed G.B.*	1,212	2,756	1,514	963	105	123	188	106	106	104	101	102
5. " " United Kingdom (a)	1,276	2,813	1,690	1,035	392	144	217	225	124	124	122	119
6. " " London	118	306	239	214	59	29	39	42	27	26	24	24
7. " " E. and S. England (b)	60	142	93	99	28	10	14	17	7	6	7	6
8. " " S.W. England (c)	69	157	76	33	16	5	8	8	4	4	4	4
9. " " Midland and N. Midlands (d)	165	371	153	92	28	7	10	13	4	4	4	4
10. " " N.E. England (e)	280	602	151	75	30	8	14	14	7	6	6	6
11. " " N.W. England (f)	285	562	309	149	54	15	28	25	13	15	16	13
12. " " Northern	156	378	217	125	51	24	35	34	20	22	21	21
13. " " Scotland	116	228	127	89	41	14	21	20	14	13	14	13
14. " " Wales	36	68	76	75	42	21	28	30	18	17	18	19
15. " " Northern Ireland	676	541	107	78	87	126	37	59	356	42	37	53
16. Industrial disputes: No. days lost	100	70.4	76.2	93.9	102.4	110.1	108.2	109.3	112.5	115.7	111.2	107.8
17. Cereals and meat	100	72.8	76.4	95.4	111.7	118.3	115.1	115.6	118.4	118.4	123.0	121.7
18. Other foods	100	53.4	63.8	100.7	100.7	102.3	102.3	101.1	100.6	98.3	100.7	100.1
19. Textiles	100	76.3	100.0	125.0	135.7	139.2	136.7	136.7	138.0	137.9	143.5	143.5
20. Minerals	100	67.8	80.3	104.3	114.4	120.1	117.4	117.7	120.8	119.3	122.1	122.0
21. Total, incl. miscellaneous	100	81.8	92.4	107.2	108.7	104.9	105.9	105.9	103.9	103.9	105.2	106.5
22. Cost of Living: Min. of Labour	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
23. Total	100	64.0	78.1	108.2	121.9	121.9	122.0	122.0	122.0	122.0	122.0	122.0
24. Industrial securities, Fin. News	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
25. Fixed interest	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
26. Govt. Revenue, cumulative (f)	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
27. Expenditure (f)	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
28. Bank of Eng.: Notes in circ. (g)	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
29. " Bankers' deposits (g)	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
30. " Gov. sec. B'king Dept. (g)	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
31. Clearing Banks: (h)	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
32. " Deposits	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
33. " Cash & bal. with B.E.	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
34. " Discounts	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
35. " Treasury Deposit Receipts	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
36. " Advances	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
37. " Investments	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
38. " Interest Rates: Bank rate	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
39. " Three months' bank bills	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
40. " Day to day loans	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0
41. " Yield on 2 1/2% Consols	100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.0	122.0	122.0	122.0

(a) From March, 1942, figures are exclusive of men classified as unsuitable for ordinary industrial employment, and women unsuitable for normal full-time employment. (b) From January, 1940, includes former Southern and South-Eastern divisions. (c) Includes Southern division before January, 1940. (d) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England. (e) From December, 1941, High Peak Parliamentary Division of Derbyshire included in North Midlands instead of North-Western England. (f) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (g) Average of weekly figures. (h) Annual figures for 1929 and 1932 do not include District Bank.

"THE ECONOMIST" SENSITIVE

PRICE INDEX

(1935=100)

	Feb. 11, 1943	Feb. 12, 1943	Feb. 15, 1943	Feb. 16, 1943	Feb. 17, 1943
Crops.....	115.7	115.7	115.7	115.7	115.7
Raw materials.....	172.7	172.7	172.7	172.7	172.7
Complete index.....	141.4	141.4	141.4	141.4	141.4
	Mar. 31, 1937	Aug. 1939	Feb. 17, 1942	Jan. 1943	Feb. 10, 1943
Crops.....	147.9	92.2	116.4	119.6	115.6
Raw materials.....	207.3	122.9	172.7	172.7	172.7
Complete index.....	178.1	106.4	141.9	143.8	141.3

* Highest level reached during 1932-37 recovery.

COMMODITY AND INDUSTRY NEWS

Food Prosecutions.—Lives in December, 1942, there were 2,735 prosecutions under the Food Control Act, of which 2,538, or a percentage of 92.8, were successful. The total number of prosecutions during 1942 was 33,311, of which 31,397, representing a percentage of 92.8, were successful. These figures compare with a total of 29,329 prosecutions undertaken in 1941, with 27,475, or 93.7 per cent, successful.

Rubber Tyres.—The Salvage Recordal Board of the Ministry of Supply has begun the requisitioning of rubber tyres from laid-up vehicles in districts of London and Berkshire. Compensation will be paid to owners, and unusable tyres will go to salvage.

Standard Specifications.—The British Standards Institution has recently issued specifications for non-ferrous metals for armaments and vehicles, soft solders economising in the use of tin, and a specification for war emergency code of practice relating to the use of radio valves in equipment.

Cattle "Panel" Scheme.—Nearly 5,000 farmers now have their herds under the National "Panel" Scheme. Approximately 200,000 dairy cows are regularly examined by veterinary surgeons for mastitis, contagious abortion, sterility and Johne's disease. Loss of milk through these diseases amounts to 50 million gallons a year.

For Trading.—The Retail Fur Trade Association has published *Fur Trading* with the subtitle of "Guide to war legislation for fur manufacturers and traders." The handbook, which costs 5s., and runs to 60 pages, contains a full index, and covers all aspects of war-time legislation affecting fur traders. It sets out the minimum wage rates payable under the Joint Industrial Council for the Retail Drapery Trades agreement, and gives a useful ready reckoner for calculating maximum retail selling prices.

Building Wage Increase.—The National Council for the Building Industry has agreed upon an increase in basic wage of one penny per hour for craftsmen, three-farthings per hour for labourers, and begin on April 2nd. This brings the rate to a standard rate of 22½ per cent above the pre-war level. The application of the Building Operatives' Federation was an increase of 3d. per hour, and they asked that labourers' wages should be on the basis of 80 per cent of craftsmen's rates.

Coal Output.—During the four weeks ended January 23rd the output of coal was 3,813,400 tons, compared with 3,880,100 tons in the previous period. Only three districts qualified for output bonuses, compared with 12 in December. The percentage of targets reached by each district is shown in the following table:—

PERCENTAGES OF DISTRICT TARGETS REACHED*

During Four Weeks Ended

	Dec. 26th 1942	Jan. 23rd 1943
Northumberland	101.0	95.0
Cumberland	96.3	92.6
Durham	101.6	96.5
South Yorkshire	99.3	92.6
West Yorkshire	96.2	90.3
North Derbyshire	101.2	96.3
Nottinghamshire	103.2	98.1
South Derbyshire	106.2	102.3
Leicestershire	105.1	103.5
Lancashire and Cheshire	102.4	97.9
North Wales	97.6	89.5
North Staffordshire	102.8	95.7
Cannock Chase	97.9	90.1
Shropshire	104.0	93.7
S. Staffordshire & Worcestershire	98.5	89.8
Warwickshire	99.7	91.8
S. Wales and Monmouthshire	99.9	93.6
Forest of Dean	99.3	96.1
Bristol	90.4	93.4
Somerset	107.2	104.5
Pile and Clackmannan	103.3	95.5
Lothians	103.2	98.6
Lanarkshire	98.6	95.5
Ayrshire	98.1	91.9
Kent	99.3	88.4

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control. † Still under review.

Rayon Utility Cloths.—A new system has been established for dealing with the production and distribution of rayon utility cloths, and it is to operate for the four months ending August 1st. Merchants will be allowed to buy the styles they want from manufacturers with whom they have traded in the past. Production will continue to be planned by the Cotton Control in co-operation with producers of yarn and manufacturers of cloth. The chief alteration is that each allocation will be a bulk one instead of one for specific goods as before. The scheme places responsibility on members of the trade, which they have welcomed; it is calculated to provide more scope for enterprise and initiative.

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

	Daily Average Sales			Stocks (at cost) end Dec.		
	1942	1941	%	1942	1941	%
(a) By Commodities						
Non-food Merchandise	+26.0	+4.2	-6.6	+23.4	+5.2	-5.2
Piece-goods	+29.9	+10.4	-6.6	+5.2	+1.1	-2.3
Women's Wear	+15.0	+5.9	-4.6	+9.1	+1.1	-1.1
Men's and Boys' Wear	+17.7	+2.0	-6.2	+1.1	+1.1	-1.1
Boots and Shoes	+7.6	+13.9	-17.7	+1.1	+1.1	-1.1
Furnishing Departments	+12.6	+13.2	-14.7	+1.1	+1.1	-1.1
Hardware	+1.6	+1.9	+6.5	+1.1	+1.1	-1.1
Fancy Departments	+19.5	+27.9	-21.1	+1.1	+1.1	-1.1
Sports and Travel	+13.9	+10.4	+8.8	+1.1	+1.1	-1.1
Miscellaneous	+14.0	+2.5	-2.8	+1.1	+1.1	-1.1
Food and Potables	+6.4	+5.3	+1.2	+1.1	+1.1	-1.1
Total	+9.2	+4.1	-1.9	+1.1	+1.1	-1.1
(b) Districts						
Scotland	+8.1	+5.2	-1.1	+5.2	+1.1	-2.3
North-East	+7.3	+3.1	-2.5	+1.1	+1.1	-1.1
North-West	+9.5	+2.5	-3.0	+1.1	+1.1	-1.1
Midland and S. Wales	+4.8	+4.5	+4.4	+1.1	+1.1	-1.1
South England	+5.9	+0.8	-5.8	+1.1	+1.1	-1.1
Central and West-End	+28.7	+17.5	+14.7	+1.1	+1.1	-1.1
London	+14.8	+8.8	+1.9	+1.1	+1.1	-1.1
Suburban London	+5.8	+1.1	-5.2	+1.1	+1.1	-1.1
Unallocated	+5.8	+1.1	-5.2	+1.1	+1.1	-1.1

Source: Board of Trade Journal.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5192

REGISTERED AS A NEWSPAPER

FEBRUARY 27, 1943

Second Class Mail Matter at New York, N.Y., Post Office

ONE SHILLING

The Debate Continues - 257
Towards a Full Alliance - 258
The Red Army - 260

Pressures on US Prices - 266
French Agriculture - 268
Homework - 271

NOTES OF THE WEEK - 262

Death in the Scales; The Party System; The Parties Ponder; The Division; Stalin Strikes the Balance; Test in Tunisia; Second Front; Personalities in the Lords; Progress Report; —In the West Indies; Third Attempt; Painful Progress; Divided France; Transference of Labour; Equal Compensation.

INVESTMENT - 273

Turnover and Prices Lower; South African Budget; British Investments in Portugal; US Bank Profit Statements; Unit Trust Extension; Lampport and Holt Accounts; The Harrods Group; The Kensington Stores; A Provincial Result; Bovril Stability; Kern Oil Difficulties; Gas Light and Coke Payment.

AMERICAN SURVEY - 266

Pressures on Prices; Change of Heart?; "Roar China"; Meatleggers; Shorter Note.

INDUSTRY AND TRADE - 276

Industrial Location; Chamber of Shipping; Mr Geddes on Air Transport; Japan's Merchant Fleet; Water Power in Scotland; Wage Claims; Allied Meat Purchases; Produce Federation; Food Trades Call-Up.

THE WORLD OVERSEAS - 268

French Agriculture; Stabilisation in New Zealand; Brazil as Ally; Germany at War.

FINANCE AND BANKING - 272

Abundance of Credit; India's Silver Sales; "Free" and Official Silver; British Banks in China; Irish Banks' Returns; Hire Purchase—A Correction.

COMPANY MEETINGS - 278

RECORDS AND STATISTICS - 280

The Debate Continues

THE House of Lords has taken a new high place during wartime in the deliberations of the nation. This week, Lord Nathan's motion afforded a chance to the Government to undo in the Upper House the ill effects of what its spokesmen said about the Beveridge Plan last week in the Commons. Lord Nathan epitomised the Commons debate in a phrase: "The Government is no safer from reproach in its Morrison shelter than in its Anderson shelter." By emphasising the points on which the Government agrees with the Beveridge proposals, instead of laying the same stress as Sir John Anderson and Sir Kingsley Wood upon the conditional and provisional nature of that agreement, the Home Secretary scored a political success; the landslide was arrested. But 119 Members voiced their protest against the Government's faint words by a hostile vote; the question "Has the Government accepted the Beveridge Plan?" remained unanswered.

The question came up for answer again in the Lords this week, and it was impatiently brushed aside by Lord Simon. It had been put plainly enough in the Commons debate by Mr Quintin Hogg in the most significant of the speeches made. He quoted Sir William Beveridge:

Reconstruction of social insurance and allied services to ensure security of income for all risks is a general aim on which all reasonable men would agree . . . if a plan

for freedom from want, so far as social security can give it, is to be ready when the war ends, it must be prepared during the war. . . . If His Majesty's Government accept the main recommendations of the Report, it is suggested that the first step would be to submit to Parliament resolutions approving the introduction of a scheme of social insurance and allied services, in accordance with the principles named, and approving the constitution of a Ministry of Social Security.

The Government did none of these things last week, and it was this which caused Mr Hogg, speaking as an avowed Conservative, to describe their attitude as "a major political blunder."

The question of whether or not we recover after the war depends in the main . . . upon our ability to continue the community spirit, new in time of peace, but not unfamiliar on the battlefield or in time of war.

The Beveridge Plan is a scheme, as Mr Hogg pointed out, for the abolition of want by the redistribution of wealth. It is not an assault upon that wealth, "because so long as you redistribute what is there, you cannot destroy the economic resources of the country." The Government has not yet said whether it will regard the prevention of want, by financial and physical means, as a first charge upon the nation's wealth, of the same order of urgency as the defence of the realm. Indeed, its spokesmen, Lord Simon even more than those in the

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

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

LONDON AND MANCHESTER ASSURANCE CO., LTD.

Life, Annuity, Accident, Fire, Motor, Burglary

Chief Office: Finsbury Square, LONDON, E.C.2

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £13,000,000

ASSETS EXCEED - £77,000,000

CLAIMS PAID EXCEED - £140,000,000

(1941 Accounts)

AGGREGATE ASSETS at 31st March, 1942, £59,317,166

Established over 80 years

BANK of



LONDON OFFICE: 1, Queen Victoria St. E.C.4. John Forbes, Manager.

Head Office: WELLINGTON, N.Z. H.R.H. Chalmers, General Manager.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months - 3 0 0

6 Months - 1 10 0

(Cheques to be made payable to The Economist Newspaper Ltd.)

Publishing Office:

Brettenham House, Lancaster Place, London, W.C.2

Telephone No.: Temple Bar 3316

Commons, have suggested otherwise. They have nervously rejected the subsistence basis for benefits; they have professed themselves incapable of entering into "final commitments." They have failed to recognise that the comprehensiveness of the Beveridge Plan is its essence; that it cannot be approached piecemeal paragraph by paragraph, accepted here (in principle) and rejected there—however much modification and revision its details may, admittedly, require; that, to quote Mr. Hogg again

The Beveridge scheme, by introducing the principles of comprehensiveness and an equal rate of contribution, ensures to that extent that the wealth of the country should be redistributed as to put the burden equally upon the whole community.

Mr Hogg was content to accept all the implications of this central idea which the Government has ignored.

I have always been a believer in private property and private enterprise, but so long as there remain people who cannot have enough to eat, the possession of private property is a humiliation and not an opportunity.

The speaker was in tune with the high opportunity provided by the Beveridge Report to round off and consummate a generation of social policy, and with the deepset hopes and aspirations that the scheme has roused among millions of fighters and workers—both at home and abroad. The Government has spurned the second chance afforded by the Lords' debate. It still declines to accept, even if it has not rejected, the central idea of security. It has announced neither the way nor the means to achieve the prevention of want. Only if this central idea is accepted, if a programme to apply it by stages is begun at once, and if the administrative instrument to work out and effect that programme is fashioned now, can the Government claim to have accepted the Beveridge Plan in any true sense. It is for this reason that the institution of a Minister of Social Security, to build up by degrees both a policy and a Ministry to apply it, has come to be regarded, soundly, as the test of governmental good faith; and no statistical claims about the Government having accepted 70 or 80 per cent of the plan—in principle—can shake the validity of this test.

The issue is strangely simple. Is the prevention of want, by security of income for all risks and for all individuals and families, accepted as a *sine qua non*, regardless of what else may have to be sacrificed to ensure it? In wartime, willy-nilly, the principle of a National

Minimum for all citizens, in terms both of money and goods, is accepted and applied. Is this principle to be discarded in peacetime? It is nonsense to say, in absolute terms, that it cannot be afforded. If it can be afforded in wartime, when the stock of goods and services for civilian use and consumption are stringently restricted by the needs of war, how much more can it be afforded in the greater abundance of peacetime, when the lion's share of the nation's resources have no longer to be dissipated in shot and shell. It is, of course, true that, to afford it, some of the extras and luxuries of life will have to be set aside until the National Minimum is satisfied, just as in wartime all extra luxuries have to be set aside. First things must be provided first. But it is a matter of choice.

By all tests, it seems that the Government is prepared to accept almost all the Beveridge Plan—in principle—except this, which is the central idea. The notion, it seems, still lingers that voluntary thrift should be regarded, not as a means by which careful, hard-working and deserving citizens rise above subsistence level, but as one of the means that they should use actually to achieve subsistence. Burial costs, for instance, are to be a statutory benefit; but industrial assurance is to remain. The insurance agent is still to visit each working-class household with his insidious plea:

Look here, what is this £20 after death? What does it amount to? Why not have a little more and keep your other policies alive? Why not get some new ones for the children or a nice endowment?

The appeal of voluntary thrift should not be admitted until the National Minimum has been assured, in cash and in kind, by communal action. Then, rightly, upon a man's thrift, as well as his work, will depend his rating above or below his neighbours; that is the powerful and proper place of voluntary saving, to afford for men and their families the extra goods and services which their labours and their abstinence deserve—after want has been prevented.

Is the Government prepared to recognise the prevention of want—the effective rounding-off of the social services which are part of Britain's tradition—as a definite goal that can and will be achieved? Are, say, Sir Kingsley Wood or Mr. Bevin ready, for this purpose, to set aside, if necessary, some of the special interests for which they stand? That is the question, and no amount of debate or advocacy can diminish either its relevance or its urgency.

Towards a Full Alliance

WITH the Russian victories, a new phase has opened in the war. For the first time, the end of the struggle is, if distantly, in sight. After three years of hard and apparently endless fighting, men can begin to throw their minds forward to the day when peace will come. Peace—yes, but what kind of peace? To fight on to victory was an ideal great enough and simple enough to hold together half mankind in the coalition of the United Nations. But now that peace is looming up behind victory, where are the new ideals and principles?

It is in this half world of doubt and questioning that Goebbels is waging his new war of words. The strategy is two-fold: to dissolve the alliance between the three Great Powers, Russia, Britain and the United States; and to break down the unity of resisting Europe. At no time during this war has the Germans' propaganda arm been wielded so vigorously or so desperately, for it is their last weapon against certain defeat. It would be folly to ignore this threat, especially since the weapon they are using has proved effective in the past. The Bolshevik bogey helped Hitler to power. It helped him to break collective security. It helped him to smash France. It is true, as Mr Eden pointed out last Sunday, that the Allies know all about it by now; but this familiarity does not mean that no counter action is required. Nazi propaganda has never yet been worsted by being ignored.

There are already disturbing signs. The promising accord reached between the Russians and the Poles in 1941 has clouded over. The problem of divided resistance in Yugoslavia has appeared. Both are warning signals to the Allies to close their ranks.

The most urgent problems concern Russia, Britain and the United States. On the mutual understanding, trust and friendship of these three Great Powers the peaceful future of the world depends. It is useless to suppose that thoroughly cordial and confiding relations can be achieved before the opening of a Second Front. Most people, not sharing Lord Beaverbrook's apprehensions, assume that Britain and America are striking, and will strike, as hard as their difficult geography permits. But the fact remains that the disproportion of the British and American military effort is one of Goebbels' most effective propaganda points. To the Russians, he suggests the desire of "Anglo-Saxon plutocracy" to see Russia bleed alone; to the Europeans, he paints a picture of a devastated continent left to the mercy of the "hordes from the East."

The Second Front, the invasion of Europe, is the pre-condition of a closer and more concrete understanding between the Great Powers; but it is no more than that. The task of implementing the twenty-year Anglo-Soviet Treaty and of concerting with the United States an agreed line of policy is the next urgent step. The initiative ought

most certainly to come from the English-speaking Allies, for if the Russians are ever to become active partners in a functioning world order, they must be encouraged out of their radical distrust of the world outside Soviet Russia. Lend-lease and the Arctic convoys have started the work of breaking down this distrust. The Second Front will carry it on powerfully; but there must be some assurance that Russia's allies want co-operation and friendship beyond the immediate aim of defeating Hitler. The psychological importance of a twenty-year Treaty was very great; but it may be dissipated if it is not followed up. Mr Eden admitted in the House in December that so far no conversations had been held to amplify the agreement. Will the initiative be taken as soon as the opening of the Second Front creates a favourable point of departure?

Whatever the plans broached by Britain and the United States, they must be designed to prove their authors' sincerity in desiring to secure Russia as a partner. Any hint or suggestion that the Russians were being purposely excluded from the concerting of Anglo-American plans for the future would renew the old suspicions a hundredfold. So far no tripartite organisations exist, either in the military, economic or political field. The time is surely at hand for the Allies to establish some permanent and continuous liaison, possibly through a joint council. No amount of meeting between leaders in times of emergency can make up for the lack of a permanent organ for discussion and planning. The offer of such a council would also be a tangible symbol to the people of Russia that they are recognised in all aspects as the equal partners of the other Great Powers.

In the military sphere, the frequent proposal for a Supreme War Council is vitiated by the fact that the battles, separated by hundreds of miles, must be separately conducted. But the time is coming when the battles will merge and when the Allies can usefully discuss the extension of their wartime collaboration into a postwar framework for collective security. As Mr Morrison pointed out in his Guildhall speech:

Among the United Nations a special responsibility rests upon the Great Powers, particularly on Russia, the United States, China and ourselves, as wielders of what will be the overwhelming preponderance of armed might in the world. The sword of world justice and world sovereignty will be in the hands of these nations . . . [they] must see to it that in course of time they mobilise, behind the effective power they will wield, the free consent of all the free peoples of the world.

If agreement on such concrete issues as the disarmament of aggressor nations, the future of civil aviation or the possibility of joint bases could be reached, the generalities of the Atlantic Charter would begin to take on some meaning.

It is above all in the economic sphere that Britain and the United States can give concrete expression to their

desire for collaboration. The task of reconstruction before Russia is colossal. If help could be given in a politically acceptable form, the Russian people, who have suffered so much already, would be spared some hardship at least. It would be for the Soviet Government to determine the form the economic assistance should take—whether short or long-term credits—but the Allies have an opportunity here to carry over into peace the tangible effects of alliance, now represented by tanks and aircraft and food-stuffs and medical supplies.

This effort of friendship must be made, for it has yet to be proved that nations with such diverse ideologies can work together in a genuine partnership. Stalin believes that it is possible. In his memorable speech last November, he said:

It would be ridiculous to deny the existence of differences in the ideology and structures in the States which form the Anglo-Soviet-American coalition. But does this circumstance exclude the possibility of co-ordinated action by this coalition against the common enemy who threatens them with enslavement? Definitely it does not.

With good will and patience, Stalin's belief can be made fact; but, just as he does not deny the differences in ideology, so it would be useless to deny the problems which arise from those differences. They have to be met and it is far healthier for the successful prosecution of the war and for the peace settlement afterwards that they should be discussed in frankness and honesty now. Mr Morrison stated fairly the main issue when he said:

Solutions . . . must be sought by reasoned and moderate joint approaches to questions of difficulty and problems of change—approaches in which there is general readiness to sacrifice the old idea of unrestricted national sovereignty in the interest of common action.

What sort of Europe will emerge from the victory of Allied aims? A ruined bolshevised Europe, screams Goebbels, with property abolished, religion banished and western civilisation trampled underfoot. The Allies have already given their solemn though general answer in the Atlantic Charter, and probably no statesman has better outlined the general purposes of the Grand Alliance than Stalin himself:

The abolition of racial exclusiveness, the equality of nations and inviolability of their territories, the liberation of the enslaved nations and the restoration of their sovereign rights, the right of establishing whatever regime they like, economic assistance to the countries which have suffered and help to be given to them in achieving material welfare, the restoration of democratic liberty, and the destruction of the Hitlerite regime.

These are undoubtedly the peace aims not only of the Allies but of Europe's "little men," who have had their pastors murdered, their personal property confiscated, their trade unions abolished, their national identity stamped out. But it is time for the Allies to give more concrete expression to the manner in which they intend to keep faith with their own promises and

£12,500,000 damage to the War Effort
last year from ordinary fires

Half the fires in the country are
caused by matches and cigarette ends.

**MOST FIRES ARE CAUSED
BY 'CAREFUL' PEOPLE**

Don't just be careful—take EXTRA care

Issued as part of the Fire Offices Committee's campaign against fire wastage.

with Europe's oppressed, starved and decimated masses.

From Britain and America must come the guarantee that they do not intend to make a mockery of the peoples' resistance by restoring power and authority to those who have collaborated with Hitler. The tragedy of North Africa is that apparent military necessity dictated a course gravely compromising to the two Powers concerned—and to renaissance France. During the period of reconstruction, there will be pressure both in Britain and America to re-establish individual politicians or social groups who, on their record, should be debarred from all power and influence. Many of the industrialists, many of the large landowners have been pillars of Hitler's infamy. No desire to deal with people "who speak the same language" must be allowed to modify the democracies' attitude towards such men. A guarantee given now that the heavy industries through which the Germans have exercised continental control will not be restored to private ownership, but established as public corporations under international control might be a constructive contribution to the unity of Europe and incidentally a solution of the problem of a large quiescent class. The distribution of the land to the peasants in Hungary and Roumania might liquidate the influence of two other traitor groups. Active policies of this kind cannot of course be envisaged, except in the framework of a broader plan for the economic reconstruction of Europe. Here Britain and the United States, as the only two remaining nations with any surplus resources, must carry the responsibility. A guarantee that they are prepared to do so would allay much of the Goebbels-sown suspicion that Europe will be abandoned to quick occupation, or slow decay.

From the Russian angle, the guarantee most needed to stifle Nazi propaganda is that, in general terms, the Soviet Government will support and play a part in Europe's efforts to get itself into working order and, in particular, that the difficult frontier problems in Eastern Europe will be settled by agreement and not by unilateral action. The Poles are justifiably perturbed by the Soviet decision to treat as Soviet citizens all Poles now in Russia who have come from the territories assigned to the Soviets by the Russo-German Agreement of 1939. If this step means that without any attempt to reach agreement with the Polish Government or with their other Allies, the Russians intend simply to annex the lands they consider to be part

of the Soviet Union, then Goebbels' work is done for him. Stalin has expressly excluded this possibility in his Order of the Day to the Red Army:

It [the Red Army] has been created not to conquer other people's country but for the defence of the frontiers of the Soviet land. The Red Army always regarded with reverence the rights and independence of all nations.

But Russia's attitude to the whole frontier problem must be clarified now when the advance of the Red Army is bringing it to the anxious attention of Europe.

An agreed policy between the Allies would naturally not exclude the possibility of frontier changes; but it should lay down an orderly and acceptable procedure in accordance with the principles of freedom and independence already accepted by all the Allies in general terms. For example, no territory should change hands anywhere in Europe without a plebiscite conducted under impartial control. After any such plebiscite, those who voted in the minority should have the possibility of asylum in some other land where the rights they cherish are respected. If the people of Eastern Poland were to vote to remain with Poland, those who voted for the Soviet Union should be allowed, if they chose, to leave with compensation for their property. In the opposite event, the same right should be guaranteed to those who preferred to move into Poland. A similar procedure should be applied to the Baltic States.

These are admittedly difficult problems; but the less they are discussed in a spirit of confidence and understanding, the more insoluble they become, and the more potent in Goebbels' armoury. Neither the battle on land nor the war of words has yet been won. Stalin has warned the Allies of the tough struggle still to come, and in this tough struggle the confidence of the Allies in each other and of the enslaved peoples in them are factors of major military importance. It would be tragic indeed if all hopes of post-war understanding based on a common victory were defeated once again by "too little" and "too late"—too little discussion too late in the day. It is the enemies of Anglo-American-Soviet friendship who are throwing up the smoke screen of suspicion, obscuring every issue and keeping the problems back in a dark underworld of fear and doubt. It is the Allies' task to break through the difficulties by facing them and to build their alliance in the full light of day.

The Red Army

TWENTY-FIVE years ago, Russia, in the throes of a civil war, possessed no army. The fighting forces of the old order had ceased to exist. The new regime relied for its defence on some fifty thousand armed workers organised into Red Guards, and on a number of loose guerilla bands in the countryside. The military position of the new republic looked almost hopeless. The armies of the White generals were seizing vast territories; and about 200,000 former Tsarist officers joined their ranks. The German armies stood at the gates of Petrograd. Urging his followers to agree to the conclusion of the "shameful peace" of Brest Litovsk, Lenin stated on February 22nd, 1918:

We are now powerless. German imperialism has gripped us by the throat, and in the west I see no proletarian fists that will deliver us from the claws of German imperialism. Give me an army of a hundred thousand men—but it must be a strong, steadfast army—and I will not sign the peace treaty.

This was the starting point. The old military structure had been destroyed; the old discipline had been abolished. All that remained, after the revolution had achieved its work of destruction, was a seemingly amorphous mass. The critical point, familiar from the history of other revolutions, was reached when the disappearance of authority coincided with the pressing need to set up a new authority and a new discipline. The first step had to be made towards changing the chaos of anarchic decentralisation into a new centralised order.

Only in the process of that change could an army, by its nature the most centralised of institutions, be created. The transformation could only be achieved gradually; and all the stages of that evolution have been reflected in the composition and outlook of the Red Army.

On January 12th, 1918, the *Sovnarkom* issued a decree for "the creation of a socialist army, built up from below on the principles of election of officers and mutual comradeship discipline and respect." The decree betrays the dilemma with which the new rulers were confronted. The "election of officers" had been proclaimed as the principle of socialist democracy in the course of the Bolsheviks' struggle for power; it played an essential part in the disintegration of the old army. It could not easily be abandoned. There were no commanding cadres available to help in the task; it was hoped that they would emerge, by natural selection, from the rank and file.

On February 23rd, 1918, Trotsky, the new Commissar of War (who was to hold this office until 1925), was able to announce that the first detachments of the new army had come into existence. Only in a very limited sense can this date be regarded as the birthday of the Red Army. Conscription was not introduced; the new soldiers were volunteers. Not until June 12th was the mobilisation of several classes ordered. Even then, it was limited to the areas immediately threatened by the advance of the Whites; and it applied only to proletarian and semi-proletarian elements. A further extension of the conscription followed in October, 1919. Progress was hampered

by the antagonism between the socialist towns and the individualist peasantry. The official records mention nearly three million soldiers, mostly peasants, who deserted from the Red Army in 1919-1920—but fifty per cent of the deserters were induced to rejoin the ranks.

At every step, military necessities clashed with political considerations. The election of officers proved a suicidal fallacy in the field. A bold step was made to enlist the services of former Tsarist officers. Trotsky tried to build "the new structure with the old bricks." Within a few weeks he succeeded in recruiting forty thousand officers. Political control over the commanding cadres was maintained by the political commissars. Propaganda was supplemented by a tightening of discipline. The compromise between politics and military necessity met with violent opposition, headed by Voroshilov; but the compromise prevailed, and was maintained for more than two decades.

The victory of the Red Army in the civil war was due to the effectiveness of its political warfare rather than to its military efficiency. The civil war was fought with the most primitive weapons. At the peak of its strength, during the Polish-Soviet war in 1920, the Red Army possessed less than half a million obsolete rifles; and only one Russian soldier in five could be armed. The leaders of Soviet Russia knew that they owed their victory to an exceptional set of circumstances, social, political and military. They also knew that any future war would be fought very differently, and would demand a coherent and flexible military and technical organisation. On the morrow of the civil war, the principles of the new organisation and of the new strategy became the subject of the most thorough discussion.

The most startling feature of that discussion, in the early twenties, was its correct anticipation of the character of modern warfare. In his lectures on strategy Tukhachevsky preached the need to prepare for mechanised and armoured warfare. He forecast the "flying tank," and conceived the use of parachute troops. The participants in the discussion can claim rights of authorship to many of the devices used by the German *Wehrmacht* in 1939-40. The new strategy of lightning warfare was developed by Tukhachevsky—in connection with Utopian and Wellsian ideas of carrying the revolution into Europe "from without." But the chaff of revolutionary adventurism was gradually sifted from the sound strategic content. The one-sided offensive concept gave place to a more complex defensive-offensive attitude; and in the mid-twenties the Red Army was already mentally equipped for the battles which were to be fought fifteen years or so later.

What was lacking was material equipment. Russia did not possess the industrial capacity which is the basis for the modern strategy of total war. The glaring discrepancy between the new strategy and the old industrial poverty determined the outlook of the Red Army during the decade between 1924 and 1934. Against the opposition of Tukhachevsky, the Red Army was organised within the framework of the "militia system"; 74 per cent of the Red Army consisted of territorial units, the members of which used to undergo a short, two-monthly training in the barracks and six-weekly military courses every year. Less than a quarter of the Red Army's strength consisted of regular units. The political convenience of that system was beyond doubt. It gave the Red Army that peculiar democratic outlook, of which Jaurès in his *L'Armée Nouvelle* and other socialists somewhat naively dreamt in the quiet era before 1914. But the militia system, based on the attachment of fighting units to limited areas, was a liability from the point of view of a strategy of high mobility which envisaged deep sweeps by armoured columns. It was bound to be thrown overboard as soon as the material pre-requisite for that strategy was created.

The great reform was carried out in 1935. Stalin's Five Year Plans removed the discrepancy between strategy and economy. New and powerful industries sprang up which were able to give armour and wings to the ideas of the Command. What was now needed was a more coherent and a more centralised organisation. In 1935,

77 per cent of the Red Army was converted into regular units, and only 23 per cent remained militias. In subsequent years, the militias were fast disappearing. The Red Army assumed almost the outlook of a normal standing army in matters of military hierarchy and discipline. In the late 'thirties, the powers of the commanding cadres were to a large extent re-established along "orthodox" lines—although the process was not pushed to its final conclusions until 1942, when political commissars were at last abolished.

In 1939, a year after the completion of the second Five-Year Plan, Marshal Voroshilov was able to illustrate by certain figures the saturation of the Red Army with modern technique. The fire power of a Soviet division (raised from 13,000 to 18,000 men) was already about 30 per cent stronger than that of a German division. The fire power of the Soviet armoured forces increased by nearly 400 per cent between 1934 and 1939. The total carrying capacity of Soviet bombers increased from 2,000 to 6,000 tons of bombs. The commanding cadres were trained on a mass scale by a vast network of military schools headed by 14 military academies. By 1939 the Red Army was, in the light of these and similar figures, by far the strongest military force in the world—its intervention in the first phase of hostilities might have brought the war to a truly lightning conclusion.

Economy, strategy and organisation have given the Red Army its strength. The experience of the first Russo-Finnish war and the purge of the High Command created the impression of weakness. But the effects of the purge were limited and temporary. The Red Army has been able to draw on a vast reserve of young commanders, well trained and free from outmoded strategical and tactical notions. The explanation of the Finnish episode will perhaps be provided one day by historians with access to the archives of the Soviet High Command; what remains to be explained is the contrast between the initial Russian reverses and retreats in the war with Germany and the rolling sequence of its recent victories.

Stalin has explained the initial defeats by the fact that the Red Army was caught unawares by the German attack. From this, it would appear that Russia's reverses were due to political miscalculation rather than to military weakness. Whatever the truth, the factor of morale has almost certainly dominated over all the other factors—economy, strategy and organisation. In all its wars, Russia's morale has been at its highest when the invaders have swept deep into Russian territory. Charles XII was beaten at Poltava, Napoleon in Moscow, and Hitler at Stalingrad. The supreme danger has acted as an unflinching stimulus to the hidden and dormant forces of the nation. Once these forces are stirred nothing can surpass or equal the Russian people in stark heroism, in mute endurance and the genius for improvisation.

So far, the pattern of this war differs little from those of all the major wars fought by Russia. There is, however, one important source of strength which was absent before. The Russian people have availed themselves of the advantages of modern industrial technique; and, at the same time, it has remained the elementary peasant nation which has not lost contact with nature. It has assimilated much of the industrial skill of the west without losing its original vigour. Without this combination of such different traits many of the Russian recent feats in using the terrain of the fighting—such as their surprise attacks in blizzards or their crossing of unfrozen stretches of water in the winter—could hardly have been possible. It is this feature of the new Russian Army that will perhaps contribute most to its ultimate victory—its primitive vigour and gusto combined with modern equipment and up-to-date skill.

The Red Army can look back with pride. What was a "semi-armed rabble" in 1918-19 has grown into the force which is shattering the mighty German war machine. But the Red Army is not alone; it is one of the forces of the United Nations. It is still the one that bears the brunt of the battle. But as the war goes on ties between the Red Army and the armies of the other Allies will be forged on many fronts. Out of this comradeship of arms it is to be hoped that a new understanding will emerge.

NOTES OF THE WEEK

Death in the Scales

Mr Gandhi's last card may prove to be the ace of trumps and not just the knave. His life hangs in the balance, not as an exclusive effect of his 21 days' fast "to capacity," but as the consequences of a condition which was bound, sooner or later, to prove mortal. Death is the one gambit to which the politics neither of justice nor expediency have any answer; and the repercussions of the Mahatma's death, if it befalls, may indeed be incalculable. It is easy to say now, when his death seems in sight, that Mr Gandhi should have been released at an earlier stage. But this is to be wise after the event. The effects of his release upon the situation in India were quite definitely calculable. He made it plain to the Viceroy that he would open another campaign of civil disobedience to secure the aims, the prosecution of which led to the savage disorders of last year, to the brutal murder of civilians, officials and members of the fighting Services. However much he may have deprecated these terrible events on grounds of conscience, he refused the one condition which the Viceroy indicated to him, namely, to condemn this savage violence; and he made it impossible for the Government to release him, even though they did offer conditional release for the duration of his fast, which he refused. Mr Churchill made it plain in his telegram on Wednesday that there is still no alternative—though the Viceroy's continued refusal to make public the evidence he claims to have of Congress responsibility for the recent terrorism must arouse more than some misgiving. Mr Gandhi deliberately chose the harder and more perilous path, with the irresponsible, deep-seated courage and resolution which he has always shown. It was his intention to pin his death, should it happen, upon the Government of India. If he dies, he will have succeeded; and nothing that the Government could have done, in discharge of its minimum duties, could have avoided this, given his readiness to die in a cause which fits in no way into the calculations of ordinary mortals. Mr Gandhi is a great man. More than that, he is a consummate politician. Whether he has used his talents and his character to the best interests of his own people is much more doubtful—and, if he dies, it will be made more doubtful still by the manner of his dying.

The Party System

There is an opinion, recently expressed in a letter to *The Times* by Commander King-Hall, that the party system has completed its span of usefulness. In its way, this view is understandable. The argument is that the major objectives of future policy, peace, prosperity and social security can only be pursued by political agreement; that, though personalities and policies may change, Parliament should remain during the indefinite period of reconstruction ahead a Council of State, without any formal division between Government and Opposition. The notion is plausible; but, in effect, it threatens the same abnegation of parliamentary methods that heralded the disappearance of democracy in Germany and other European countries. There is indeed agreement about the aims to be pursued, about the need to guarantee peace and ensue it and the need to achieve full employment in each country and a full interchange of goods and services internationally. It is also true that the worst danger to the achievement of these aims is faction, whether it be the faction of parties or the faction of nations. If the old parliamentary dictum that the duty of an Opposition is to oppose is taken to mean that, right or wrong, the Opposition must resist the Government, then advance along these agreedly desired roads will be prevented. But there is infinitely more than faction in the traditional ways of British parliamentary democracy, which has provided this country, uniquely, with governments at once more strong and more popular than the governments of other countries, however democratic in form. The two pillars upon which British democracy rests are representation and responsibility; and neither can be guaranteed without the presence, confronting the Government, of an Opposition which is ready, not only to assist effectively in the making of policy, but also to oppose effectively, and capable always of providing the people with an alternative government, pledged to an alternative policy.

This issue is neither academic nor theoretical. From its ill solution arose the single party dictatorships of Germany and Italy. Indifference to its reality has bred among many the disposition to take the major matters of social and economic policy "out of politics," and to reserve them for some body of experts—a device which, so far from removing, say, social security or full employment from the pettiness, the distractions and the incompetence of competing pressure groups, might actually provide the most weighty of these groups with a fulcrum to exercise sovereign power.

The Parties Ponder

At the moment, the issue of Parliament's and the parties' future is smouldering beneath the surface of British politics. It is implicit in the revolt of Labour politicians against the emasculated Beveridge plan which has emerged from the agreed compromises of the present all-party Cabinet—compromises which, it is said, were welcomed, on some grounds, as eagerly by the Minister of Labour, as a trade unionist, as by the Tories. It has caused a section of the Liberal party, utterly loyal to solidarity in the war effort, to contemplate ending the present political truce, in the cause of clarifying the deep differences which exist among the groups into which this nation is divided about the apportionment of national wealth and the balance, between the classes, of social and economic power. The crucial question, in relation to the Beveridge scheme, of the trade unions' attitude to training for new work as a condition of unemployment benefit, after a period, has been left entirely unanswered so far. A cursory survey of what has happened since nearly 100 Labour Members, with Liberal support, voted against the Government in the Commons last week might suggest that the storm is blowing over. No Ministers, at the moment of writing, seem likely to resign, either from the Government or from their own political parties, despite the adverse vote; even the wrath of Mr Bevin has apparently been assuaged. But the origins of the tempest remain. Is it possible to make a policy in the future on the assumption that, because there is a broad agreement on ends, there is no disagreement about means? The answer, in the light of the utmost that the Cabinet has found it possible to do about the Beveridge Report, and in the light of all the democratic experience with which, as Mr Morrison pointed out in the City on Wednesday, this country is uniquely provided, must be in the negative. The first philosopher of British Parliamentarianism, Edmund Burke, while condemning faction root and branch, approved party. Nothing has happened in the last century and a half to upset the validity of his conclusions.

The Division

Including the tellers, the division on the Labour party's amendment at the end of the Beveridge debate resulted in 338 votes being cast for the Government and 121 against. Of these 121, 97 were Labour Members, 9 were Liberals, 10 were Independents, 3 were members of the ILP, one was an Independent Labour, and one was Mr Gallacher. Those who voted for the Government consisted of 275 Conservatives, 23 Labour Members, 21 Liberal Nationals, 7 Liberals, 4 National Labour Members, 3 Nationals, 4 Independents and one Independent Labour. There were in addition some abstentions, of whom the majority are thought to have been Labour. The division was thus a complete reversal of the one which took place on the second reading of the Catering Bill. Then, including the tellers, 118 Members voted against the Government, of whom the vast majority were Conservatives. Only one Member voted against the Government on both occasions, and he was Mr D. L. Lipson, Independent Conservative Member for Cheltenham. The result of these two divisions, it has been said, proves how "controversial" the Catering Bill is; the division on its second reading, it is pointed out, split the Conservative party, since many of its members voted for the Government though the opposition was almost entirely Conservative; the Beveridge division, on the other hand, was a clear-cut party vote, with the Conservatives for and the Labour party—except for its members in the

Government—against. Surely this argument is ingenuous. The catering vote showed, not that the Bill is controversial in the sense implied by Sir Stafford Cripps, when he spoke, on the occasion of the new session, of the need to avoid legislation "likely to arouse serious controversy between the political parties," but that there is controversy in the Conservative party itself on whether it stands for the people or for vested interests, or whether it is to go forward or go back. This internal split in the party was reaffirmed in the Beveridge debate. Mr Quintin Hogg and Conservatives like him probably ought to have had the courage of their convictions and voted against the Government, or at least abstained. But his speech (which is discussed in an article on page 257), and his public dissociation from the subtle Conservative attack on the Beveridge scheme, made in some of the speeches, show beyond doubt where the controversy lies.

Stalin Strikes the Balance

In his anniversary Order of the Day, Premier Stalin summed up the results of the three months' Russian offensive in a spirit of moderate and cautious optimism. Time (he said) is now working against Germany. The replacement of losses in enemy manpower could not be made at once, even if the necessary reserves were available. The German armies in the immediate future, will be labouring under an acute shortage of manpower. Stalin gave a figure of 9 million for German casualties (including 4 million killed) since June, 1941. It is not possible to say how this estimate has been arrived at. The detailed figures, given by Stalin, of the losses inflicted on the Germans during the three months of the Russian offensive are obviously more precise. These amount to "over 700,000 killed and 300,000 prisoners." It is certain that the rate of German casualties and losses in prisoners has been at its highest during the recent retreat; and whatever the arithmetical niceties, the problem itself has been posed by Stalin rightly. It is in the coming months, before such reserves as are available can be mustered, that the German war-machine will be most vulnerable. Yet, "it is first of all essential not to be carried away by one's victories." What has been achieved is only "a firm foundation for a victory." This warning was clearly meant for foreign as well as home consumption; and it is in this context that Stalin's reference to the "absence of a second front in Europe" should be read.

Test in Tunisia

The position in Tunisia is still in flux; thrusts and counter-thrusts succeed one another. The past week has given the enemy very important operational advantages. Sbeitla, where a week ago the enemy was said to have been halted, has in fact been lost by the Allies. The next grievous loss was the Kasserine pass. Von Arnim and Rommel used these vantage points for a series of attacks north and westwards. The attack upon Sbita, if it succeeded, threatened the Allied positions in the north of Tunisia; and the German advance in the centre and in the south created a decidedly awkward "bulge" in the Allied line in the north, vulnerable to an outflanking move. The thrust from Kasserine towards Tebessa, now halted, brought the war to the frontier of Algeria. The crucial question is the relative strength of the opposing armoured forces. It is difficult to square all the varying estimates of reserves and losses which have been computed in the thick of the battle. Both sides have thrown in some of their strongest tanks. The other vital issue is the Allies' loss of advanced airfields. The Allied aeroplanes have been pushed back to Algeria. This loss may be partly counterbalanced by the advance of the Eighth Army, which has captured a number of enemy airfields further east. General Montgomery's soldiers have moved from Ben-Gardane to Medenine and towards Mareth. Some reports suggest that the Mareth line possesses, like its Maginot prototype, the almost classical gap which makes the whole laboriously built defence belt valueless; if this is so, and if the Germans attempting to press on westward, who have been forced to retreat, have been pushed back to the Kasserine pass for good, the position may be retrieved quickly.

Second Front

A lot of nonsense is being talked about a Second Front; and it is not all being talked by the "ill-informed clamourers" to whom Lord Simon, with perhaps some justice, took exception in Tuesday's debate in the Lords. Some of it is coming from high official quarters. Lord Simon suggested, legalistically, that it is largely a question of definition—that the sea and air activities of British forces, which do undoubtedly engage a great deal of the enemy's strength, in themselves represent a Second Front. On the other side of the Atlantic, Mr Roosevelt has told the press that no two people would agree as to what was a Second Front. Surely, with all due respect, both the Lord Chancellor and the President are wrong. What the term Second Front has come to mean is perfectly plain. It means the invasion of Europe, and since the British and American Governments are explicitly and publicly pledged to such an invasion, even to "invasions," there is no difference of principle between them and their critics. What difference there is concerns the question of timing. Lord Beaverbrook's view is that it must be done now—regardless, it must be admitted, of his own earlier plea for the immediate sending of expeditions as well as supplies to the Russian front itself. The Government's view, apparently, is that it cannot be done until Tunisia has been cleared—which may or may not be a full statement of the decisions made at Casablanca. Obviously, this is in the last resort a matter for those who know the facts. But three evident points can be stated. First, Lord Beaverbrook is perfectly entitled to press for action, in view of the importance (recognised at Casablanca) of acting while the momentum of the Russian advance is still high—provided that he does not suggest, as he tended to, when pressing for a Second Front while he still had one foot in the Government, that he knows that it could be done at once and is only being held up by ineptitude of some sort. Secondly, in asking for action as soon as possible, Lord Beaverbrook does echo the heartfelt desire of a majority of the British people—as well as the Russian people, including Stalin. Thirdly, if Tunisia is the stumbling-block, then Allied strategy has suffered a very unfortunate, if only temporary, reverse in recent weeks.

Personalities in the Lords

Actually, Tuesday's debate in the Lords on the Second Front motion by Lord Beaverbrook was not on the Second Front at all, but on Lord Beaverbrook. The question hotly debated was whether Lord Beaverbrook should or should not have put down the motion; and the cutting edge of Lord Simon's reply for the Government was very much like a personal attack on the mover of the motion. Indeed, the Lords were hot under their noble collars throughout Tuesday. Their second debate was on the Fleet Air Arm—ostensibly. In fact, it was yet another repeat performance of the old acrimonious cross-talk act between sea peers, on the one hand, and air peers, on the other. Not a single one of the speeches, by Lord Chatfield, Lord Brabazon, Lord Trenchard or Lord Keyes, was of the slightest assistance either to the Fleet Air Arm in particular or to the cause of war strategy in general, for the reason that each and every one of the speakers was

*** Fires in War-time aid the enemy**
*** and most fires are caused by "careful" people, who are not careful enough.**
Don't just be careful — take EXTRA care.

Published as part of the Fire Watchers' Committee Campaign against Fire Wastage.

far more intent to advertise his own extreme belief, and to vilify his opponents, than to seek a genuine solution of the many problems of air power at sea. This generation-old controversy has become a lamentable farce, damaging to the national interest. It is to be hoped that these Air Marshals and Admirals, at rest in the Lords, do not represent the views and attitudes of the active commanders of the two Services. If they do, then all attempts at inter-Service co-operation and a genuine combination of command, planning and action must be futile. It is obstinately not realised by these peers, who on other occasions have contributed so much that is vital from their great and distinguished experience, that the issue is not one of the Air Ministry *v.* the Admiralty, or the RAF *v.* the Royal Navy; it is the Allies *v.* the Axis. The problem is to secure the fullest possible combined and integrated striking force against the enemy. The task is to give the greatest possible weight to both the decisive air weapon and the sea power upon which British strategy, especially in the next offensive phase of the war, must depend. It is to be hoped that in the Services themselves there are officers at all levels who do genuinely see all future operations as combined operations, without the atmosphere of clan warfare that so disfigured Tuesday's debate—a debate which might, in a different atmosphere, have been of real assistance to the brave men who have for so long had to fly obsolete or inadequate seaborne aircraft.

Progress Report —

It is just over three years since the Government's Statement of Policy on Colonial Development and Welfare was made; and the first report showing how the Colonial Development and Welfare Act has operated was published this week (Cmd. 6422). The Act was passed in July, 1940, but it was not until June, 1941, that the colonial governments were explicitly told that as full advantage of it should be taken as war conditions permitted. The report, therefore, though ostensibly covering the period July, 1940—October, 1942, really only deals with a period of fifteen to sixteen months, and it is a period which has seen a large part of the colonial empire lost to the enemy and serious and increasing shortages of men, materials and above all shipping. It is hardly surprising, therefore, that the maximum expenditure contemplated under the Act—£5 millions a year—has not been reached. The total actually spent by the end of October, or rather (an important qualification) the expenditure involved by the schemes that have been approved, is £2,032,399, plus £57,158 for research for which an additional £500,000 a year was granted under the Act. But the most serious misgiving that is aroused by the report is the apparent lack of any coherence in the formulation of schemes, except in the West Indies, and the apparent dilatoriness of some colonial governments in submitting applications. Kenya, for instance, does not appear in the list of colonies whose schemes have been approved. Nor does Uganda. Northern Rhodesia has apparently been content with a sum of £3,000 for locust control. Yet the problem of, for instance, soil erosion in Africa, and in Kenya in particular, is urgent. It may be that the colony is doing all that can be done out of its own resources, but it would seem that an inter-colonial and international treatment of this growing danger is needed, and for such a purpose the Colonial Development and Welfare Scheme would appear to present a great opportunity. The report, it is true, points out that at present colonial governments have little time or staff to prepare long-term schemes of development, and this is particularly true of Kenya, which is devoting its efforts to supplies for the Middle East. Even so, the fact that the schemes approved for the whole of Britain's colonial possessions in Africa involve an expenditure of less than £300,000 is disappointing.

— In the West Indies

The Caribbean, which under the Colonial Development and Welfare Act was to account for one-fifth of the maximum annual expenditure allowed, has, in fact, accounted for more than half—£1,187,055 up to the end of September, plus £15,670 for research. Together with the report on the operation of the Act as a whole, there has been published Sir Frank Stockdale's report on development and welfare in the West Indies (Colonial No. 184). It abundantly justifies the appointment of his organisation, which was recommended by the West India Royal Commission to work out long-term schemes of reform in collaboration with the local governments concerned, and, it is hoped,

will lead to the appointment of similar bodies in other groups of colonies. Development and welfare in the West Indies are not being undertaken haphazardly, by applications for money to construct a pilot sawmill here or a bridge there or a stock farm somewhere else, which, though no doubt urgently wanted, do not even skim the surface of the real problem of colonial development. In the West Indies, it is made clear from the detailed reports of Sir Frank Stockdale's advisers on medical, educational, social welfare and labour matters that the schemes are related to a general programme designed to raise the standard of living of the islanders. Here, again, the practical limitations that exist are made plain. The educational adviser, for instance, points out that in the Caribbean 17,580 teachers are properly necessary to provide for the education of all children aged 6-15, whereas

Apart from the very great deficiencies in buildings and equipment, there are, in all, approximately 8,500 teachers and pupil teachers employed in the area.

To provide enough elementary teachers at an average salary of £100 per annum would cost £2,000,000, against an expenditure in 1941 of £640,000. Even if the balance could be made available under the Act, it would take some time for the teachers to be trained. And, as the educational adviser pertinently remarks,

the West Indian countries cannot undertake permanent commitments involving permanent external aid without jeopardising their growth in self-responsibility.

The need to increase their wealth, to enable them to finance such expenditure themselves, is thus urgent. It is consequently a pity that there is no instance of a scheme being approved for the establishment of light industries. Industrialisation, besides helping to solve the labour problem, should raise the productivity of the islands, which, in Barbados in particular, is too low to maintain their increasing populations. The difficulty of obtaining the capital equipment in wartime is obvious, but it is to be hoped that the Stockdale organisation has the possibility in mind.

Third Attempt

It is, perhaps, more than a coincidence that Sir Frank Stockdale's report on the West Indies should have appeared on the same day as was published a despatch from the Colonial Secretary to the Governor of Jamaica (Cmd. 6427), making another attempt to solve the constitutional deadlock. Since January, 1942, when the second attempt at constitutional reform was made, the elected members of the Legislative Council and leaders of the People's National Party and of the Federation of Citizen's Associations have come to an agreement on the constitution they think Jamaica should have. In a memorandum to the Secretary of State, they asked for a bi-cameral Legislature and an Executive Committee which should be the principal instrument of policy, and which, upon the development of the ministerial system, should become a Council of Ministers. They also emphasised that the Governor should have no power of veto or certification. The constitution now proposed goes far towards meeting these demands. Colonel Stanley agrees to a bi-cameral Legislature, consisting of a House of Assembly of not less than 24 members, elected on a basis of universal adult suffrage, and of a nominated Legislative Council of 15 members. He also proposes an Executive Committee of 10 members presided over by the Governor, of whom 5 should be chosen by the House of Assembly—against the 7 asked for in the memorandum—the remaining 5 consisting of 3 officials and 2 unofficials, to be nominated. He also suggests that the Assembly should form five small committees to concentrate on general purposes, agriculture, education, social welfare and communications, and that the five chairmen of these committees should be appointed to the Executive Committee; but this is a suggestion and not a rigid part of the proposed constitution. Where, however, Colonel Stanley cannot accept the Jamaicans' requests is in the matter of the Governor's powers. But he proposes that the power of certification—that is, the power to give force of law to a measure which has been rejected by the Legislature—should be exercised with the advice of the Executive Committee and that any decision to use it must be reported to the Secretary of State, whose approval should normally first be obtained. A similar safeguard would apply to the power of veto. It is understandable that such powers should be disliked by a politically conscious people. On the other hand, the gap between efficient government and popular government, which exists in the older democra-

cies and is bound to be more serious in a country just achieving responsible government, can best be bridged in this sort of way.

Painful Progress

In some respects, the situation in North Africa is improving. The economic position is better, Allied supplies are arriving and getting distributed, and M. Peyrouton has undertaken to take steps to relieve the abject poverty of the Moslem inhabitants. There seems, too, to be better prospects of understanding between the North African administration and Fighting France. General Catroux, the Fighting French Commissioner for Syria, will be liaison officer between the two movements and will divide his time between Beirut and Algiers. Before leaving Algiers, he spoke feelingly of General Giraud's difficulties—"the problem of North Africa is the problem of the convalescence of a country"; approved the General's economic council; and let it be understood that he believed in the Administration's desire to pursue a liberal policy. Here the difficulty is the old one, that of maintaining a functioning administration while purging it of its quisling elements. Many of the General's genuine liberal intentions are being frustrated by the intransigence or even sabotage of men lower down in the hierarchy; this is particularly and painfully true of the crucial problem of political prisoners. The chief of police, Rigaud, is a fascist and has used his powers to imprison de Gaullistes, and other left wing supporters of the Allied cause. It is clear from General Bergeret's confused statement on political prisoners that the Administration is not fully informed of the situation and that its subordinates are throwing a smokescreen over some very dangerous and discreditable activities. The Inter-Allied Commission will be able to clear up matters in camps where Bergeret admitted conditions to be very bad. But not all the victims of Rigaud's police go to the camps. Who is to conduct a proper investigation of the prisons where de Gaullistes are alleged to be detained? There is only one solution, a genuine purge and reorganisation of the civilian administration.

Divided France

There is some danger that the establishment of liaison between General de Gaulle and General Giraud will be looked on as a final and sufficient arrangement. It is not. It will perhaps prevent some of the more blatant discrepancies in policy and action, but it leaves unsolved the chief problem—the restoration of unity among the resisting French. M. Peyrouton has issued an appeal for unity, saying:

Frenchmen are masters of their own destiny. If they unite themselves they will again make France a great nation. If, on the contrary, they keep on quarrelling . . . the resurrection of France will not be easy.

This is perfectly true; but M. Peyrouton is the last man to say it. In the same speech, he boasted that he had in the past been "harsh" with the Frge French, because it was necessary to preserve France's "peace of mind." To which purpose? one may ask. To make the policy of collaboration with Germany more effortless and secure? A unity which includes M. Peyrouton is no unity, for true unity must be based not on expediency but on principles. These principles are pre-eminently two: resistance to Germany; and loyalty to the Allied cause. By this definition Fighting France still excludes too many men, and General Giraud embraces too many. The Allies must not rest until their views on this point have prevailed; nor should they tolerate delay. To give only one example of the effects of procrastination, what will be the future of the French Navy if the units which are being repaired in the United States—including the battleship *Richelieu* and the cruiser *Montcalm*; the units over which the Allies are negotiating with Admiral Godefroy at Alexandria; the units whose fate is being considered at Martinique; the units at Dakar; and, finally, the Fighting French Navy—are all left under separate control and administration? Are the unhappy French people to be presented not only with two governments and two armies but with five navies? If so, may they not come to look on the Frenchmen who fought for them abroad as their worst enemies, as the people who most hindered "the resurrection of France"? It is hard to think of a common purpose more compelling than the defeat of Hitler. If that cannot bring Frenchmen together, what can?

Transference of Labour

Mr Lyttelton's recent statement that a big expansion in the labour force and a greater mobility of labour would be necessary in the 1943 programme of "production for attack" has made the public anxious to know how Mr Bevin proposes to meet the new demands. The Minister of Labour has already announced that he is preparing to direct married women without children into war work; and the Control of Engagement Order has been extended to women up to the age of 41. In Tuesday's debate in the House of Commons, Members were mainly concerned with the more human side of mobilisation, and raised such matters as billeting, transport, nurseries and canteens. Many cases were quoted of inadequate and insanitary billets and of excessive charges for accommodation; inefficiency and red tape in handling transfers were alleged; demands were made for extra food for heavy manual workers and for the extension of day nurseries and communal feeding; the Scottish and Irish MPs were up in arms against the alleged neglect of their respective nations and the wholesale transference of labour to England; and Mrs Tate pressed the Minister to call up women now living idle lives in hotels. Mr Bevin, who was in jocular mood, had an answer to most of the questions. He admitted that in dealing with such a vast problem there were bound to be individual cases of hardship and possibly departmental mistakes; but he claimed that, on the whole, transference was working smoothly and with a minimum degree of friction. In particular the capacity centres of the Ministry of Production and his own Outside Welfare Department had facilitated the work. He pointed out that most girls preferred living in billets to the hostels which had been provided, and that the chief responsibility for providing nurseries and British restaurants—the need for which he admitted—lay with local authorities. Most of these topics have been discussed in Parliament before, and their importance has often been stressed by the Select Committee on National Expenditure. The only new thing which emerged was Mr Bevin's statement that he is thinking of introducing a scheme for domestic helps, with proper status and regulated conditions, somewhat on the lines of the district nursing system. This would be a valuable measure—it is indeed long overdue.

Equal Compensation

The House of Commons Select Committee on equal compensation for civilian war injuries, which was appointed in December, has produced a workmanlike and unanimous report in a remarkably short space of time. The Committee concludes that the principle of equal compensation "not only has justice on its side, but could be adopted with little practical difficulty and at relatively little cost." Under the present scheme, applicants are divided into gainfully occupied and non-gainfully occupied persons; whether for injury allowances, pensions or treatment allowances, the rate of compensation for women is about two-thirds of that for men. The Committee recommends the abolition of the distinction between gainful and non-gainful occupation, which reacts unfairly on housewives, and the adoption of a flat rate for everybody, irrespective of sex or occupation. They suggest a flat rate of 35s. a week for men and women injured, but not in hospital, and an increase in the pension rate in the case of 100 per cent disability to 37s. 6d. for all men and women. They also recommend the termination of the anomaly that a married man in receipt of an injury allowance does not get a wife's allowance unless he is in hospital. These proposals are sensible and just; there will be few who will quarrel with the Committee's findings. The main argument against equal compensation advanced in the House of Commons debate last November (when 95 Members voted against the Government) was that earnings and compensation were indissolubly linked, and that, so long as differences existed in the rates of remuneration as between the sexes, there could not be equal rates of compensation. The Select Committee has knocked the bottom out of this argument by showing that there is no necessary connection between earnings and compensation. Remuneration is always related to work done and services rendered; compensation, on the other hand, is not necessarily related to the value of work previously performed. There are contingencies when it may be reasonable to relate compensation to lost earnings; but in no case is this reasonable until basic needs have been met at a flat rate. And, in any case, there is no pretence that compensation for civilian war injuries, to men or women, has, or is intended to have any specific relation to the earnings lost by incapacity.

AMERICAN SURVEY

Pressures on Prices

(From Our Washington Correspondent)

February 1, 1943

GRAPHICS on war strains and pressures are currently being supplied by the women's outer-wear garment industry in New York City. The decision on wage rates in the case of this industry, currently before the War Labour Board, may have a future importance comparable to the "little steel" formula of May, 1942, which placed a wage ceiling at 15 per cent above January 11, 1941, levels.

Any February is hectic enough along Seventh Avenue. That is when buyers come to town with spring orders; when new styles, materials, trimmings appear; when bargains are driven at the various standard price levels; when employment for members of the Dress Makers' Union (a part of the International Ladies' Garment Workers' Union) is at one of its two annual peaks. This February, additional items figure in the excited talk on the sunny sidewalk at lunch-hour. They cover pressures that start far back along the line. Among the buyers who come to town are many from war industry areas, where department stores have adopted new hours, staying open till 9 p.m. on at least one, and in many cases more than one, evening a week, to give shopping opportunities to factory women workers.

Ordinarily, the buyer who came to town with such a bulging order book would expect to be subject to extensive courtship upon arrival, including dinners, theatres, and a certain number of well-placed orchids. This year she anticipates that the expense account may be in a different column. The first story the buyer is likely to hear in the manufacturer's office is how impossible it is to do business under Maximum Price Regulation No. 287, issued by the Office of Price Administration, on December 12th. This order regulates manufacturers' margins, reducing those over 46 per cent and 22 per cent to add enough material, trimming or labour to the product to reduce the margin by 10 per cent; and permitting the retention of margins currently at 22 per cent or under. (The last is the important figure.) What can I give you on that margin and still stay in business? Answer me that one, says the manufacturer.

The industry is a small business industry. Net sales average 5-6 times reported net worth. In 1939, the industry sold \$1,112,241,000 worth of goods; this was done by 6,831 establishments with an average of under 34 wage-earners. The mortality rate of these firms is high—a New York survey covering some 1,000 businesses in 1937-39 found liquidations ranging from 17-23 per cent of the establishments. So the accounts of a firm whose line does not include the big sellers of a given season are very apt to change colour from black to red. (The chances of being lucky—or bright—enough to foresee the big sellers can be calculated from the fact that the 78,665,000 garments sold by dress manufacturers in 1939 were produced in 122,849 different styles.) OPA order No. 287 was issued some weeks after negotiations for upward revision of wages had been opened by the Dress Makers' Union with the five employers' associations that represent the manufacturers, jobbers and contractors of the industry. It became an important element in the employers' attitude. The workers halted manufacture on January 26th. Two days later, the War Labour Board took jurisdiction on condition that work should be resumed at once.

The Unions' Case

The union case was the extent to which living costs have recently risen. Bureau of Labour Statistics figures, on a 1935-39 = 100 base, show the index for New York City to have moved from 101.0 on January 1, 1941, to 119.3 on December 15, 1942. The 10 per cent wage increase negotiated in August, 1941, is, the union points out, insufficient to cover this 18.2 per cent change—and the union further contends that the proportions of income a worker spends for food, rent, etc., have been so distorted by the recent exaggerated rise in food prices that the BLS index no

longer represents the facts of family expenditure. And the union points to the current rush of business as evidence of the employers' capacity to adjust wages within the present price structure.

The employers questioned the legality of the stoppage in view of the union's current contract; so did the War Labour Board's wire, which said, "This strike is continuing in violation of labour's pledge to the President that there shall be no strikes for the duration of the war." The employers also declared that, while it is true that the cost of living has risen, they are unable to increase wages without an adjustment of the present OPA order freezing prices. The employers thus recommend that price ceilings should be raised; the workers, that the present wage stabilisation formula should be altered.

The union does not expect to maintain peacetime standards, but we claim that the "little steel" formula has outlived its usefulness. If prices are frozen, wages should be frozen, after equalisation has been made for price rises not yet adjusted.

The case occurs in a context of other events likely to affect its outcome. The manoeuvres of John L. Lewis in the coal strike, of which the major chapters remain to be written, have left Phillip Murray, of the Congress of Industrial Organisations, and William Green, of the American Federation of Labour, on the spot—as members of the War Labour Board they are sponsors of the "little steel" formula. Ever on the outlook for organisable discontent, Mr Lewis will undoubtedly make the wage issue his next bid for a comeback. With an eye to this bidding, R. J. Thomas, head of the United Auto Workers, CIO, and a member of the War Labour Board, has urged that the "little steel" formula should be discarded:

We need a realistic formula recognising an advance of at least 30 per cent in the cost of living since January 1, 1941, so that workers through their unions can commence to bargain for comparable increases in wages.

The "little steel" formula recognised that the rise in living costs over the country as a whole amounted to about 15 per cent between January, 1941, and May, 1942. Today their level is 19 per cent above that of January, 1941, with the main increase in food prices, which stand at about 36 per cent of the January, 1941, level. To stimulate additional production by growers of sweet potatoes, soya beans, grain sorghums, peanuts, dried beans and peas, flax, potatoes and truck crops, the Department of Agriculture has announced a programme of "incentive payments." The farm bloc in Congress is opposing such subsidies, affirming that the basic price levels of agricultural commodities should be raised instead.

American Notes

Change of Heart?

After a week of defeats for the Administration in the Committees of the House of Representatives, Congress appears inclined to stay its hand a little. Senator Taft has suggested that Congress ought not to be against a measure simply because the President is for it; and another Republican, Senator Aiken, has remonstrated "We can't just run wild." The implication is that the Senate may moderate somewhat the limitations the House has imposed, in one direction or another, on the authority of the executive and its agencies. These include, besides the well-publicised refusal of the Ways and Means Committee to permit the continuance of the order limiting salaries to \$25,000 a year after taxes and other fixed charges, the slashing of some appropriations and the deletion of others. Funds for the National Resources Planning Board were voted to be stopped entirely; appropriations for the Post Office, the Treasury, the Bureau of the Budget, and the Home Loan Bank Board were cut. Economy was not all. "Blank check

appropriations are out of the window" remarked a Democratic gentleman from Indiana. The salary of a negro employee of the Government was stopped because of his alleged Communism; resolutions were introduced to investigate WPB and OPA policies in regard to the concentration of industry, and even to create a committee to investigate "any action, rule, procedure, regulation, order or directive" taken by any agency. The manpower position is being investigated with a view to reassessing the needs of the Forces, and Mr McNutt got a far from friendly hearing for his "work or fight" order. A Bill to forbid the calling-up of fathers until all childless men are under arms has been passed in committee. Anti-labour Bills are re-appearing; and it is this twin drive on the unions and the manpower problem that has given rise to the rumour that Mr Winant may be recalled to head the Administration's efforts in this sphere. The farm bloc is pressing, for the third time, its demand that the cost of labour—including family help—should be included in computing parity, a provision which would raise the nation's food bill by perhaps as much as \$3,500 millions. There has been no actual cessation in this spate of inquiries, pruning and Congressional intervention. What is reported is a change in the temper on Capitol Hill. Any deep-seated change of heart on the part of the Opposition is improbable, but it is reassuring to see some signs of restraint so early in the life of the new Congress.

"Roar China"

The triumphal appearance of Madame Chiang Kai-shek before Congress brought to a focus a mass of floating sentiment about China. The romantic feeling for China is compounded of sympathy for the under-dog; memories of Pearl Buck's "The Good Earth," the film performance of Paul Muni, the Theatre Guild's famous production of "Roar China"; childhood recollections of returned missionaries, of whom there were many; and a vague belief that the National Revolution was something like 1776, and that Sun Yat-sen was an Oriental George Washington. Americans are proud of their record in China, too; the Open Door and the use of the Boxer indemnity to build schools are regarded as foundation stones of a good neighbour policy. The Chinese have put their case well and they have found devoted propagandists in many Americans. And inevitably, as hatred of the Japanese mounted, so has good will towards China. To say this is not to detract from Madame Chiang's personal ovation. Her eloquence, her charm, and her quick wit captivated Congress as well as the nation. One Senator acclaimed her fervently as "the greatest woman in the world." Undoubtedly her address strengthened the cause of the "Pacific school" in Washington; the response inside and outside Congress is a reminder, if any were needed, that this particular tension is as yet unresolved. As Dorothy Thompson pointed out, if emotion were running the war, the Japanese would enjoy an AAA priority in American strategy. As a consequence, the report of the Lend-Lease Administration on aid to China has been received somewhat coolly. It explained that what China needed after the fall of Burma—transport planes—was what America had least of, it stressed the swallowing up of American supplies in the Burma campaign; and pointed out that the training of Chinese pilots and the control of air gained as a result of the American Volunteer Group's operations could not be measured in money terms. There exists a strong feeling against accepting the difficulties of transport as a final limiting factor in aid to China. But at this stage in the war these emotional responses are not likely to upset the strategic applecart. The set-back in Tunisia has given the American public a very healthy longing to hit back, and a more realistic understanding of the difficulties that are likely to be encountered in subduing the Western wing of the Axis before concentration in the Pacific is possible.

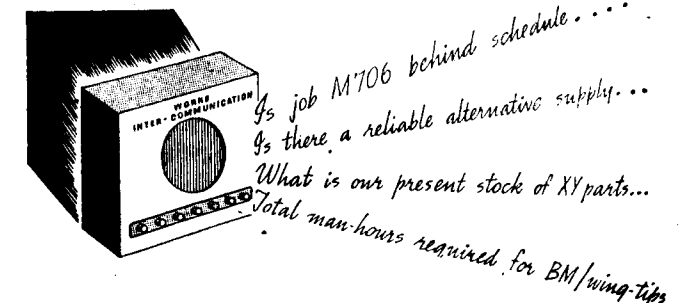
Meatleggers

There are lurid stories from the United States of the revival of gangsterism. Now it is food—principally meat—that is the foundation of a new illegal traffic. How much truth there is in the story that Caponism is back again is hard to tell; but it is generally admitted that extensive black markets in food exist. Time quotes "harried Washington officials" as putting the figure as high as 20 per cent of the animals slaughtered for food; and American papers are carrying pictures of out-of-the-way barns being used as slaughter houses, and stories of cattle and sheep being stolen and slaughtered along country roads. Consumers are

willing to pay fantastic prices for meat, sometimes as much as \$2 a pound for beef. The Office of Price Administration has started a series of prosecutions against offenders, but in the meat traffic in particular enforcement is difficult. There is no bottleneck through which meat moves which can be policed easily, as there is in sugar or petrol, where the number of refineries is small. Honest traders have been squeezed by the fact that although their ceilings are fixed, there is no limit on the price of livestock, with the exception of hogs. The advantages of rationing, with its guarantee of fair shares, is easy to understand, but those of price fixing have been harder to sell to the public. The problem will be eased somewhat as rationing gets under way. Canned goods go on points next week, and meat rationing is expected to start on April 1st. In the meantime the Price Administrator is starting a vigorous campaign of education in the beauties of control. In a recent address, he pointed out that already consumers have been saved nearly \$6,000 million compared with what would have been spent had prices risen at the rate they did during the last war; the saving per family was \$140. One of the examples of the pressure on prices which he cited concerned butter. News of the extension of the ceiling price on butter failed to reach a given city in time. Overnight the price soared from 55 cents a pound to \$1.25. Examples of this kind are testimony to the value of price control, but they illustrate as well the enormous strain on ceilings imposed by the increase of purchasing power unaccompanied by adequate taxation and savings.

Shorter Note

The Office of Price Administration has announced the completion of a new system of "margin control" for prices. Under its provisions, prices will be fixed at the wholesaler's or packer's level, and profit percentages for different types of wholesalers and retailers will be established. This meets the difficulties of traders who were unable to keep up supplies because their ceilings were too low; and it has the advantage of substituting for an almost unending range of ceilings three or four levels, which will be easier for the housewife to police.



RECORDS COST MONEY, ARE YOU PAYING TO HIDE VITAL FACTS?

Shannon Visible Records give a panoramic view of Key facts—posting is many times faster than in books. A unique all-metal Suspension holds the cards securely yet gives maximum freedom of movement. Cards are instantly removable. Both sides are available for posting and Auxiliary Sheets provide additional information or increase the card life. Let us show you how Shannon Visible Records will help to increase your control and production.

To comply with Paper Control Order 48 please send 1d. postage stamp for booklet.

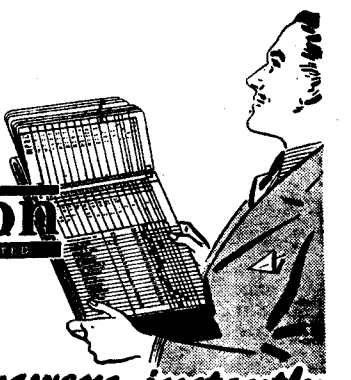
Shannon

VISIBLE RECORDS

Give all the answers—instantly

IMPERIAL HOUSE (Dept. C.2), 15-16, KINGSWAY, LONDON, W.C.2.

And at Birmingham, Bristol, Liverpool, Manchester, Newcastle, Glasgow (Agt.)



THE WORLD OVERSEAS

French Agriculture

(By a Correspondent)

RECENTLY, M. Bonnafous, Vichy's Food Minister, and M. Cathala, the Minister of Finance, made statements on the new agricultural programme. As usual, Vichy's "peasant lovers" present their programme, not merely as a set of emergency measures necessitated by the pressure of events; they also pretend to carry out a set of reforms which will lead the peasantry to a neo-physiocratic paradise. The whole agricultural policy of the Third Republic is portrayed as a sinister distortion of France's natural evolution; the prospect of an Allied victory as the loss of the physiocratic paradise; and the New Order as the only background against which a revival of French agriculture is possible.

The new programme, stripped of its embellishments, boils down to the "balkanisation" of French agriculture under German pressure. Its main feature is the expansion of oil-seed cultivation, to make good the loss of North African imports. According to M. Bonnafous, the present stock of fats in France amounts to 140,000 tons; if consumption is to be maintained at last year's level, the deficit in fat supplies amounts to nearly 160,000 tons. The reserve of industrial fats is 20,000 tons against a minimum demand of 54,000 tons. During the years of the armistice, the cultivation of oleaginous plants expanded only slightly. In 1941-42, the area under oil-seeds increased from 8,000 to 25,000 hectares. In the autumn of 1942, however, not less than 60,000 hectares were sown with oil-seeds. The new programme envisages a further increase up to 250,000 hectares in 1943. In a broadcast to the farmers, M. Bonnafous reminded them that if this programme is fulfilled, French agriculture will have regained the level of output which it had reached under the Second Empire, before the home cultivation of oil plants was replaced by imports from the colonies.

It is doubtful whether these historical reminiscences have any real meaning for the peasants or whether the ideal of going back to the agricultural standards of the Second Empire can find any serious response. The French peasant will probably think that the references to the Second Empire are not unconnected with the demands of the Third Reich. But M. Bonnafous has also offered the peasants some more tangible inducements. He has promised to fix the prices for oil-seeds at such a level as to make their cultivation two or three times as remunerative as that of wheat. Farmers will also receive 6 kilograms of oil per 100 kgs. for the first five quintals of seeds delivered, 5 kgs. for the fifth to the tenth quintal and 4 kgs. for every additional quintal. The whole programme has been very warmly welcomed by the German press.

M. Cathala, Minister of Finance, has taken the same line with regard to the cultivation of vegetables and fruit. He spoke recently of the decay of French vegetable and fruit growing in the inter-war period, and explained it by the competition of Californian, Canadian, South African, Indian and Malayan fruit and vegetable producers. Before 1939, France had to pay nearly 200 million francs to the USA, 22 millions to British India and 20 millions to South Africa for its imports.

Tomorrow [the Minister of Finance concluded] if the Anglo-Americans were to emerge victorious and were to force their agricultural produce on our markets again, as they did in 1931, for instance, our peasants would soon be going through hard times again. . . . Once we have created a European economic structure, we shall be able to do without those imports, and the millions we have been sending to foreign countries will benefit French farmers. Tomorrow our industrial capacity will perhaps be limited and, moreover, we no longer have any gold. Our gold will be our agricultural produce—our wheat, wine, fruit, our early vegetables.

In other words, the "pernicious" policy of the Third Republic resulted in an expansion of fruit and vegetable consumption at home; within the framework of the New Order, on the other hand, France would pay with fruit

and vegetables for the industrial goods it would have to import owing to its "limited industrial capacity."

The wheat position has also been discussed. The falling off of colonial imports of grain has not affected the position in the short run. The Ministry of Food does not yet contemplate any cut in the bread ration. But, in the longer run, the bread position is bound to become very critical. Last year, the import of one and a half million quintals of cereals from Africa covered home consumption before the harvest. No such supply will be available to bridge the next gap between the two harvests, in June and July. In addition, a part of the 1942 crop was milled very early, beginning in July, and the crop was substantially below normal. Smaller reserves of grain have, therefore, to meet the demand during fourteen months instead of twelve. M. Bonnafous has appealed to the Prefects, the Peasants Corporation and to the *Légion des Combattants* to start a crusade for the delivery of wheat, as "the very life of the nation is at stake." The prospect for the summer is indeed very gloomy; the towns of France are threatened with famine.

Black Markets for Meat

The position in meat is deteriorating. A faulty price policy led to a mass slaughter of cattle. The disparity between the prices for butcher's meat and the prices paid for cattle is so wide that the farmer does not find it worth his while to sell cattle at the fixed prices. Enormous masses of meat are being absorbed by the black markets. A section of the press excuses the farmer and blames the Government for the abnormal position. Thus, *Action Française* writes:—

The farmer can ask: "Why allow a suit to be sold at 2,000-2,500 fr. which cost 600 fr. in 1939; why authorise the butcher to sell veal for twice as much as in 1939, when we have to sell a live calf at a price slightly less than that which existed in the same period? Why allow a shoemaker to sell at 300 frs. and more a sole made of bad wood and a few thin straps of an ersatz material?"

This is, indeed, an eloquent comment on the new physiocracy. The problem of agricultural prices seems to have been the cause of some friction between the Minister of Agriculture and the Minister of Finance. The former has been inclined to raise prices; but the Minister of Finance has objected, on the ground that an increase in prices would upset the budget estimates. The divergence of views has led the former Minister of Agriculture, M. Caziot, to resign from his post in the official agricultural corporations. The screw of the price-stop on agricultural prices has hardly any effect when the tide of inflation is rising; its only results are that the channels of official distribution are getting emptier and emptier, and that the peasant seeks to make good his losses, caused by compulsory deliveries to the state, through illicit trading and bartering.

Primitive barter has, in fact, become the dominant form of trade, and it is widely practised within the countryside as well as between countryside and town. As the bargaining power of the peasants has been stronger than that of the general mass of the townspeople, the result has been a relative shift in the distribution of the national income in favour of the farmers. This does not mean that the actual income of the farming class has risen. On the contrary, it must have declined; but the total national income has decreased even more sharply; thus the smaller income of the peasants now forms a higher proportion of the total than before. The fact is not devoid of some political significance. It makes it possible to play off the town against the countryside and vice versa. While M. Bonnafous has been preaching physiocracy to provincial peasant audiences, German propaganda in Paris has been "explaining" to the workers and employees that they have been exploited by the peasants. One of the arguments is that while the tax on agricultural profits yields only 60 million francs, the tax on salaries produces 6 milliards.

Stabilisation in New Zealand

[FROM OUR CANTERBURY CORRESPONDENT]

December 18, 1942

ON December 15, 1942, the Prime Minister broadcast about the Government's new stabilisation plan. This consists of a big extension of the price-fixing measures previously adopted, combined with effective control over wages. Early in the war, efforts were made to prevent prices and costs rising. A Price Tribunal was established, house rents and most interest payments were controlled, and by September, 1940, the prices of 38 major commodities in common use were stabilised, in some cases with the aid of subsidies. Since then, price fixing has been extended and rationing applied to a considerable range of goods. But, while other costs have been controlled, wages have been relatively free. In August, 1940, the Arbitration Court raised award rates of wages by 5 per cent on account of the increasing cost of living. It rejected an application for a further rise in December, 1941, but granted an additional 5 per cent, on the first £5 per week only, in March, 1942. The wage index shows an average increase of 13.6 per cent since September, 1939, but this index is based on minimum award rates and does not reflect payments in excess of those rates, much less total earnings. No general changes in award rates have been made since last March, but adjustments for particular trades have generally been upward and, owing to the keen demand and short supply of labour in many industries, rates in excess of the minimum awards are widely paid. In addition, much overtime has been worked to meet war needs, and overtime rates increase both earnings and costs steeply after the standard 40-hour week has been worked. Women and youths are taking many men's jobs in occupations classed as essential. Large numbers are in the forces, and farmers, market gardeners and others, whose products are sold at fixed prices, are unable to compete with the attractions offered by rising wages elsewhere. Production and supplies for the military and for export have been well maintained, but rising costs and increasing Government expenditure have brought the danger of inflation nearer.

In September, 1940, a representative Economic Conference recommended the stabilisation of prices and costs, and a committee was appointed to continue investigations. The measures then adopted had considerable effect on prices and costs other than wages, but no effective limitation of wage increases was imposed. Now the committee has brought forward a wider plan which the Government proposes to put into effect. Its obvious aim is the freezing of further prices and costs, including wages. All wage rates, including overtime and piece rates, are to be fixed at the levels of November 15, 1942, and penalties are provided for breaches by either employers or employees. Adjustments will be made if the cost of living rises by 2½ per cent in the first place, and after that by further steps of 5 per cent. Prices are to be fixed for about 150 necessities entering into the cost of living, mainly locally produced goods. These cover rents and a wide range of groceries, dairy produce, meat, fruit and vegetables, fuel and light, clothing, footwear, drapery, furniture and miscellaneous articles. The aim is to keep these prices stable, and it is stated that unavoidable rises in some items will be offset by declines in others, so that the workers will have both fixed wages and fixed costs for their essential purchases. A new wage index number is to be computed showing changes in retail prices. This index is to be based on, and apparently confined to, the items covered in the scheme, and it will be used if necessary for any wage adjustments required. The freezing of wages at present levels, therefore, depends on the effective stabilisation of the prices that are to be fixed, and these prices will depend largely on wages. In these conditions, the prospects of stabilising both prices and wages should be good.

The plan adopted is probably the best that can be devised. But the basic difficulty was revealed by the Prime Minister, when he estimated the war increase in the national income at £NZ50 millions, and the war decline in the supply of consumers' goods at £NZ40 millions. In these conditions, even partial price stabilisation is difficult

to ensure, while complete stabilisation is probably impracticable. The extension of price fixing will increase the difficulties of effectively policing the price regulations; complete coverage of all prices is obviously impossible; and imported goods are in short supply, while import prices are rising steadily and are beyond local control. Some doubt must remain, too, whether effective means can be found to induce producers, including employees, to provide a sufficiency of the fixed price, and presumably low profit goods, when tempted by the superior attractions of other free price and higher profit goods. But such problems are not confined to New Zealand, and the scheme adopted represents an earnest attempt to cope with a problem that has worried every Government, and that appears to admit of no completely satisfactory solution.

Brazil as Ally

[FROM A CORRESPONDENT IN SAO PAULO]

December, 1942

THE three months' activities of Joao Alberto Lins e Barros, Economic Co-ordinator, has shown that the concentration of control over production, distribution and manpower is of vital importance in a sub-continent of vast size, containing such a wide variety of potential resources. Realising that the war effort demanded the maximum exploitation of a few, quickly available materials, the Co-ordinator, with the help of American advisers, set up a hierarchy of commodities, putting at the top rubber, vegetable oils and waxes, ores and industrial diamonds, and then coffee, cocoa, Brazil nuts and meat. Most of all these commodities are produced for export to the United Nations. Next come textiles, cotton, timber and fruit, which go to neighbouring South American countries and, to a certain extent, to European neutrals.

This obvious dethroning of Brazilian staples, such as coffee, was made possible by the Washington agreements, under which the United States promised to buy certain Brazilian products for the duration, irrespective of whether they could be shipped. Attention could thus be concentrated on stimulating the production of the important raw materials; and the removal of any immediate danger to Brazil by the Allied landings in North Africa stressed further the fact that at present the country's chief task in the strategy of the United Nations is the mobilisation of its material wealth.

The Co-ordinator's other function is the organisation of essential supplies for his own country. An American Engineering Commission, which has recently completed a two months' survey of the industrial possibilities of the Sao Paulo area, with a view to diminishing Brazil's dependence on certain imports, declared that the lack of high-grade coal deprived the country of an adequate basis for heavy industry. Brazil, the Commission went on, should take the opportunity of developing its industry on a light metal basis, thus anticipating the progress of technology, which tends more and more to substitute light materials for iron and steels. This opinion ran counter to the views of an increasing number of experts, who favour an extension of heavy industry, but although opinions are thus differing on how greater self-sufficiency can be achieved, the clash is largely academic, since neither project could be completed before the end of the war—even if begun at once.

It is noteworthy that there is complete agreement between the American advisers and Brazilian experts on the manufacture in Brazil of certain consumption goods which are no longer obtainable from Great Britain and the United States.

A serious, but old, obstacle is the poor communications, both inside the country and with the outside world. The Brazilian economy rapidly adapted itself to the fuel shortage resulting from the submarine campaign, and the programme for producing alcohol from sugar assures a minimum supply for industrial purposes. But the inter-state communications are suffering thereby, and, without railway or road connexions between north and south, trade must be carried on by coasters—with a reduced number of ships.

Fears have been expressed in the Rio press lest the restrictions on coffee consumption in the US, together with the campaign in American magazines in favour of the introduction of ersatz coffee, will permanently affect the taste of American consumers for pure coffee. But at the moment

these fears are groundless, for the US has agreed to purchase 90 per cent of the coming coffee crop, and since prices are four times above the pre-war level, the big reduction in the output in 1942-43 should be largely compensated.

The case of cotton is somewhat different, since it was not included in the Washington agreements. It is difficult to find an export market for this crop, but its by-products—linters and cottonseed oil—are profitably exported to the

US, and the Brazilian Government, with the help of US loans, has decreed a minimum price of 6d. per lb. for cotton fibre, which should maintain the area under cotton cultivation. In fact, so far from provoking discontent, the incorporation of Brazil into the economic framework of the United Nations has given its commercial relations a stability that has seldom been achieved in the last thirty years.

Germany at War

On the Defensive

IT seems at first incredible that the Nazi regime, which had been credited during its period of successes with thorough planning for each new move, should have been surprised by the Russian winter offensive. But the fact is plain enough. It can be demonstrated beyond doubt by a survey of the German press and radio during last autumn and the early winter—until January 11, 1943, when General Dittmar broadcast his "backs to the wall" commentary. The Nazis believed that the summer offensive had achieved at least the safe possession of the Donetz and Don territory and part of the Caucasus; and that Russia had been fatally weakened, while Germany had gained important sources of foodstuffs and raw materials. While the German armies were still advancing into the Caucasus, more eastern provinces of the Ukraine were put under civil administration. The confidence of the Germans in their ability to maintain these conquests was shown by the foundation of numerous new companies for the development of the Ukraine and the Caucasus; state concerns were set up for the generation of electricity and coalmining in the Donbas and for the cultivation of cotton, rubber plants, and tobacco; leading steel and manufacturing concerns established branches in all parts of occupied Russia; new trading undertakings appeared, and even firms to produce and distribute films. This went on right into December last year. Reports about autumn sowing were at the same time optimistic. This was not mere propaganda. It was based on the belief that rich colonies had been captured for good. The German armies could be supplied on the spot, with the coal of the Donbas for their railways, electric power for their factory repair shops for army equipment, and the oil of the Maikop area for their tanks and aeroplanes. All this activity was to go on far behind the fighting front during a relatively quiet winter. Now these hopes have been catastrophically shattered—everything has been swept away in a few weeks, with fearful losses. Seldom in history has foresight failed more completely.

The Strength of the Regime

What is the effect in Germany? The military, economic and political situation in the Reich and in the whole of German occupied country has changed. The sweeping successes of the Russians have brought the Germans, strong though they still are, to bay. The process of reducing Germany's conquests has begun. The Nazi regime is faced with the grim problem of finding a way out of its first real crisis.

Hitler and his party came into power by a very curious process of trial and error. Easy successes over disunited enemies at home and abroad were ascribed to the political and later the military genius of Hitler, who became convinced that he himself planned all the triumphs. Hitler and the Nazis had no clear plans or precise time tables. They moved from one easy success to another. Their one underlying idea was to build up the strongest possible military organisation and to keep it in semi-mobilisation; and the tremendous advantage of being able to move great armies at a moment's notice gave them the chance of conquering almost all Europe. The unexpected resistance of Britain induced them to attack Russia. Then, over-confidence in their own power and a complete misunderstanding of the Russian regime showed, after their initial successes, the relative weakness of the Nazi leaders, including their generals. The war against Russia was begun with all the old German generals in command.

The Stalingrad disaster uncovered the vulnerable spot of Hitler and all other Nazi leaders. They were strong and displayed foresight in economic and military affairs at periods where they could rely on real experts. Once they undertook the work of experts themselves they failed. The

power of the political, economic and military machinery of totalitarian Germany stands in glaring contrast to the poor quality of the Nazi leadership, who fortunately failed in using this instrument to its full advantage after the collapse of France. The great strength of the authoritarian regime at home is obvious. Stalingrad is probably the greatest disaster a German army ever suffered. Outside Germany it is clear for everybody to see that Hitler and his generals are responsible for this senseless sacrifice. Yet the authoritarian leaders can ask for more sacrifices without being swept away by the people. This is the real situation at the moment. The Nazi leaders, politicians, generals and administrators alike, are determined to prolong a war which can no longer be won.

The Stalingrad disaster was followed by a number of economic decrees ostensibly designed to bring the last reserves of manpower into war production. But, immediately before the decrees were issued, the German economic papers voiced the opinion that any further reduction in the number of retail shops would only cause difficulties in distribution; and they stated, also before the decrees, that independent artisans had already been fully mobilised. In fact, economic conditions in Germany had already been strained to such an extent that there are hardly any reserves left. The total volume of production is inevitably declining with every worker called up to replace the losses suffered in Russia.

The Nazis are convinced that production can be increased by a last great effort. The truth that pure defence is tantamount to defeat is known to every Nazi and felt instinctively by every German. Germany at war needs its conquests for food, raw materials and man-power. If the conquered territories are lost one by one, defeat becomes certain. Defence must, therefore, be offensive not only militarily but also politically. Still strong, though seriously wounded, the Nazis will strike out fiercely wherever they can. The whole territory from the present fronts in Russia to the German frontier is considered an area of defence in which a number of strong positions will be made the basis of a flexible defence, that is to say, of maintaining defence areas by offensive thrusts. This is the intention; and the hope is that Russia will exhaust its superiority in men and material in the present offensives.

This method of defence in the east, it is hoped, will leave the Germans enough forces for active operations in Tunisia and frustrate any landing in the west—provided the full use of the gathering Allied forces can be prevented. Two offensive means to prevent this full use, are, in Nazi opinion, available. The first is the U-boats; the second is the political offensive exploiting the Bolshevik bogey. The stories of Russian atrocities told at present on the German radio have a familiar ring; they are old stories from the Nazi archives. Behind them, however, is the belief that the people in Britain and America, as well as Europe, are afraid of Russia, and above all the conviction that Britain, peopled by a branch of the Nordic race, will finally come to terms with the Germans if they can contain Russia in the east.

The actual strength of Germany in terms of armies and economic means and especially the power of recuperation is the unknown factor. The territory available for flexible defence in the east is still large. But the value of the Balkan countries and the occupied countries in the west as an area of defence is doubtful once the Allied invasions begin. These things must be seen in combination with morale at the front and at home. Any army is seriously affected by a long retreat. The Nazi leaders have no choice; they must continue the fight; and as long as the SS and Nazi police remain intact there will be party terrorism (as Hitler's proclamation this week plainly promised) rather than surrender. Germany's material means, though enormously depleted, are still large. If the morale of the army and the whole Nazi party survive the coming spring, the final chapter of the war may still be protracted.

THE BUSINESS WORLD

Homework

THE increasing difficulty of obtaining unskilled or semi-skilled labour for war production has given rise to a new type of "outwork" or "homework." Not every industry can use homeworkers profitably, and for their successful employment two conditions have to be fulfilled. First, the articles—whether finished or semi-finished—is immaterial—must be reasonably small and light. Secondly, the manufacturing process must lend itself to sub-division into a number of operations, some of which are simple and can be carried out with hand tools. In general, the operations suitable for homework fall into two main classes: simple assemblies of parts requiring such tools as screw-drivers, spanners or pliers; and simple hand operations, such as scraping, insulating, sealing, filing, gauging and adjusting.

The next step is for the works to organise a homeworkers' department. This department has two main functions. The first is to act as a depot to which material and parts are diverted from their normal routes in the factory for parcelling in convenient quantities for distribution, and from which completed work is returned to store. The second function of the homeworkers' department is to deal with the homeworkers themselves, supply them with work, instruct and supervise them, receive and inspect their work and pay them for it, and deal with difficulties, either personally or by correspondence.

The arrangements made for the distribution and return of the work are of paramount importance in any homework scheme. On them depend, not merely the even flow of work in and out of the factory, but also the maintenance of the enthusiasm of the homeworkers. These arrangements vary considerably, but they may be classified into groups, the most important determining factor being the type of district in which the factory is situated. First, there is the sponsor system. Under this scheme responsible members of the works staff—foremen or charge-hands, act as sponsors and organise groups of six to ten people near their homes who are willing to undertake homework. The sponsors bring materials and parts from the works as required and leave them in the homeworkers' stores. The workers draw their materials from the store and return the completed assemblies to it; these are collected from time to time by the sponsor and delivered to the works. Another important function of the sponsor is to demonstrate to the homeworkers how the assembly should be carried out, and deal with any assembly difficulties which may arise.

A second type of scheme is one which involves the distribution and collection of work by a van sent out from the factory. This system can be adopted in an urban or suburban area, but needs careful organisation in order to avoid uneconomic journeys. The secret of success is to avoid taking on workers who are widely scattered.

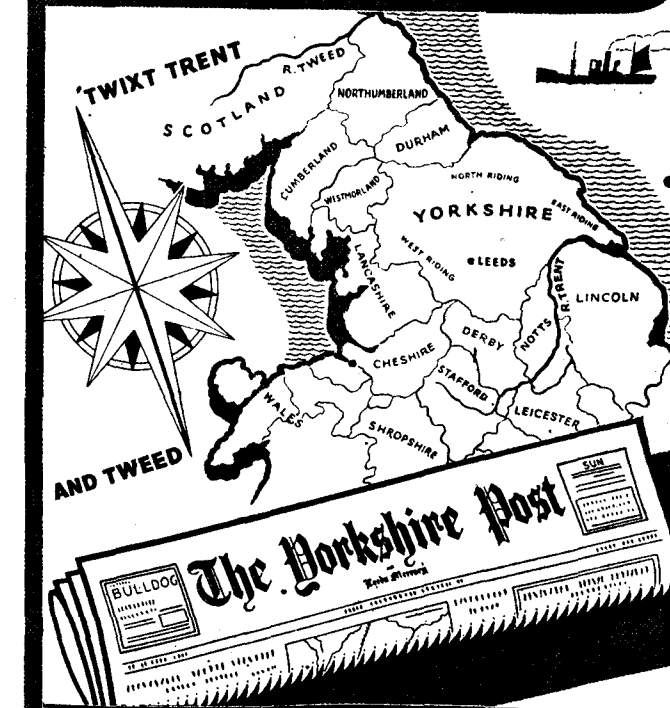
In a third type of scheme, the workers themselves call at the factory to collect the work and receive instructions, and later to return the finished product. For this scheme to be worked successfully, there must be a fairly large number of women not engaged on war work within easy distance of the factory. The chief requirement is an efficient homeworkers' department, so that a steady stream of callers can be dealt with without confusion.

Outwork is only worth while if it taps a source of labour which would otherwise remain unused. If it uses labour that could be employed more continuously and more productively, it is wasteful and inefficient. Any scheme which relies on drawing homeworkers from the immediate neighbourhood of the factory requires careful organisation; otherwise regular part-time or even full-time workers will be attracted from the factory. Many of the most successful applications of the outwork principle are found in country districts, villages or small towns. The most suitable districts are those where transport facilities are not good enough to make it possible for workers to travel every day to a factory, or where there is a large proportion of immobile women for whom there is no work in their immediate neighbourhood. In such areas local depots are established from which the workers collect their work and to which they

return it after completion. These depots are generally within a ten-mile radius of the factory. One firm in a small country town, for example, found that in three of the four villages within an eight-mile radius, small engineering firms were willing to become agents for the distribution and reception of work in their immediate neighbourhood. Not infrequently the amount of part-time work that can be done from one of these centres is more than enough for a single firm; and in such cases firms combine to form a group centre which handles all the outwork for the firms belonging to the group. Sometimes the group has been organised by the Ministry of Production; in other cases it has been left in the hands of the firms concerned. Finally, some factories have found it best to have the work itself done at the local centre and not in the outworkers' homes. For this purpose a suitable building is made, in effect, into a small branch works manned by local workers working on a part-time basis. An interesting scheme for the employment of part-time women on hand finishing aircraft components has been developed in Surbiton. It started by a group of women meeting in a drawing-room, working for a Middlesex factory; a number of shops for hand assembly and non-machine processes are now being organised in the area. This method is somewhat different from homework proper, though the principle is the same; it offers the advantage that the work is done in one place, which is more economical and facilitates instruction and inspection, and makes possible the employment of a wider range of processes.

Which of these schemes is adopted depends on local conditions. In all of them good organisation and super-

Voice of the North



ASK TO SEE IT AT YOUR CLUB, LIBRARY OR NEWSAGENT

vision are essential. Initial instruction is of much greater importance in placing the work out than it is in a factory; and the greatest care has to be exercised at the factory to see that all parts which are sent away for home assembly are absolutely correct. The factory assembler will often tolerate occasional imperfections, as he has the tools at hand to put them right, but the homemaker has no such facility and has to reject the parts. There must be the closest liaison between supervisors and the inspection department, who have the final say as to whether or not the work is up to standard. Payment for work done is on a piecework basis, and is made in cash when the work is handed in.

Homeworkers are volunteers. There is no formal contract of engagement as employees, and they merely undertake verbally to do certain processes at prices based on Trade Union rates of pay for similar processes when performed in the factory. Whatever their legal status, they are in practice treated more as sub-contractors than employees, although National Health and Pensions Insurance contributions are paid by the factory. Firms who have been using homeworkers for some months say that the standard of work is as high as that done under factory conditions. Socially, all classes are represented as homeworkers. Most are women, and the utmost care has to be taken to avoid absorbing women who are wanted for factory work by the Ministry of Labour—which is the great danger of the homework system.

Finance and Banking

Abundance of Credit

Although most of the banks have been making up this week there has been no evidence of pressure in the credit situation. There has been some relief from the £10 millions excess of Treasury bill maturities over payments for new bills, while TDR payments of £20 millions for the past week compared with nominal maturities of £30 millions. The actual maturities were substantially below this figure, many banks having evidently encashed TDRs against customers' subscriptions to tax reserve certificates. Nevertheless, there was probably some outgoing of funds on TDR account this week. These floating debt factors, allied to the exceptionally heavy flow of Government expenditure, have helped to keep money in abundant supply in the market. This plethora of credit is reflected in the latest Bank return, which shows bankers' deposits at the exceptionally high level of £178,233,000, an increase of £28,758,000 on the week. The principal counterpart to this movement is an increase of £25,200,000 in the holding of Government securities. This suggests that in fixing the volume of its floating debt borrowing for the week, the Treasury erred on the short side and was thus compelled to borrow appreciably on ways and means advances from the Bank of England. Heavy revenue transfers were known to be due on Thursday, i.e. after the Bank return was made up, and this may have restored the position and reduced the level of bankers' deposits to more normal proportions, while allowing the Treasury to pay off ways and means advances. There was, however, no evidence of credit pressure on Thursday, and it is evident that the authorities, with the customary regard for the banks and the market which they evince in making-up weeks, planned to keep the cash basis ample to meet the calls of window-dressing. Another factor helping the credit position has been the further clearing of South African loan repayment warrants. This is reflected in a fall of £5,434,000 in other accounts. The circulation is now firmly anchored to its basic upward trend, and a further expansion of £2,536,000 was recorded over the past week.

India's Silver Sales

The Finance Member recently made a statement in the Indian Assembly, countering the suggestions that Indian Government silver had been made available to British consumers through British Treasury sales in the London market at less than the world price. He asserted that no sales of Indian silver had been made to the British Government since the beginning of the war at less than the sterling equivalent of the United States Treasury's official price for imported silver. He added that no sales of silver to the British Government had been made from India since last August, when the United States import price was raised

Outwork was started by a few enterprising companies, and, with the encouragement of the Ministry of Production and the supply Ministries, has spread rapidly. In the radio industry considerable use has been made of outworkers, as the production of radio equipment is so largely a matter of assembling more or less standard components. But almost any light mechanical assembly work can be done in workers' homes, and the assembly of quite delicate instruments has been successfully carried out. Unfortunately, no comprehensive statistics exist at present to enable a quantitative assessment of the importance of outwork in war production to be made. One small firm actually found that it could employ as many man-hours outside the factory as inside.

This work is, of course, essentially a war-time expedient for utilising a source of labour which it is normally not profitable to use, and it is improbable that peacetime conditions will require any extensive employment of homeworkers. It may, however, have a limited application after the war in two directions. There will, unfortunately, be a large number of disabled men and women who will be unable to undertake factory work, and to these homework would bring obvious benefits, psychological as well as financial. Secondly, schemes might well be evolved which would appeal to elderly people who are often fit and able to do simple tasks, and who would welcome the opportunity of home employment to bring them in a small addition to their incomes.

from 35 cents to 45 cents per fine ounce. The assurance does not carry one very far, since the sterling parity of the former 35 cents import price paid by the US Treasury was only 19½d., while the official sales in the London market have been made at prices consistently above this figure and, ever since the early days of the war, at 23½d. Up to May, 1941, these official sales were made direct by the Indian Government, while since then the Bank of England, acting for the British Treasury, has been the official seller operating at this constant ceiling. The burden of Indian criticism of these sales is that they were made, not at less than the US price, but under the price quoted for silver in Bombay and that the Indian Government was prepared to supply the London market while it was not prepared to sell in India. The answer to this criticism could have been readily made; it is that the official sales made in London go to satisfy strictly "vetted" essential industrial demands while silver sold in Bombay would have disappeared into hoards.

"Free" and Official Silver

It is interesting to note from the Finance Member's statement that no Indian Government silver has been sold to the British Treasury since last August. Yet, since that time, official sales of the metal in the London market have been of almost daily occurrence, and though the flow has been comparatively small, the total involved must be considerable. These sales, moreover, have continued to be made at the price of 23½d. per standard ounce. The new US Treasury price for imported silver gives a sterling equivalent of 25.65d. per standard ounce. A point must, sooner or later, be reached at which the official stocks held in this country are depleted, for not only are they being utilised to satisfy genuine industrial demand, but considerable amounts are being devoted to fresh coinage. There are two directions from which replenishment can be effected, India and the United States. If further purchases are to be made from India, it may be assumed from the Finance Member's speech that they will be made at a price not less than the American import price. In that event, it seems reasonable to expect the London quotation to be adjusted to a level which would at least cover the costs of purchasing the metal and shipping it to this country. The alternative source of supply is the Lend-Lease silver which the United States has promised to the United Nations. The experience of the market does not suggest that any of this silver has yet arrived. No American bars have been seen recently. Before American silver arrives and is used to satisfy essential industrial requirements, it would be desirable to extend the official control over the London silver market so as to cover dealings in unofficial, or "free," silver. The position as it exists at present is that brokers are expected to

scrutinise very closely the purposes for which they obtain official silver on behalf of their clients. Only urgent and essential war industrial needs qualify for official silver. Free silver, of which fair quantities occasionally come to the market, can be sold without restrictions, and it is quite possible that some of it finds its way into private hoards. It would be anomalous if such traffic were allowed to continue after American Lend-Lease silver is made available to satisfy industrial and coinage requirements.

British Banks in China

The Chinese Government has recently granted licences to two British banks, the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia and China, to open offices in Chungking. Both banks had for some time past maintained a small personnel in the temporary capital, and negotiations with the Chinese authorities have been proceeding over some months to convert this representation into recognised branch offices. The necessary licences have now been granted and both offices are expected to open for business on March 1st. Since British extraterritorial rights in China have been relinquished, these offices will be subject to the Chinese Government's banking regulations and will depend upon Chinese courts for the settlement of any litigation with clients in that country. The experience gained in this respect will be of value in settling the problems that will arise when foreign banks are again in a position to open their offices in the former treaty ports. The establishment of branches in Chungking must be regarded as a preliminary to the re-entry of the banks concerned in the ports from which they were evicted by the Japanese. The amount of business available in Chungking will be negligible in comparison with what used to be handled by the offices in Shanghai, Tientsin, Hankow and Hongkong. In any case, the overhead expenses of the Chungking offices are calculated to deprive the establishments in that town of any profit-earning capacity. Chungking now has the unenviable reputation of being the most expensive capital in the world. Almost every office requisite has to be imported and arrives by air after a most devious journey. The cost of maintaining these offices is, thus, likely to exceed any immediate return they can bring to their respective banks. But as a harbinger of their eventual re-entry in the great Chinese ports, the coming opening of branches in Chungking is of the greatest significance.

Turnover and Prices Lower

The stock market presents few features of interest. Now that the peak of tax payments is passed, preparations for the Wings for Victory weeks are visible, and, if London is any guide to the general reaction, they are going to be even more costly in men and materials and produce an even more meaningless parade of figures than their predecessors. Their effect on the market has been to hold up investment, with the result that fixed interest stocks have ceased to advance, despite a great scarcity of stock outside the list of Government securities proper. In fact, the Funds, where the supply is adequate, have suffered a very minor reaction. The fall in equities has been rather over one per cent from the peak in about four weeks, and a disproportionate share of this is due to the decline in home railway stocks since a couple of days after the LMS announcement. The Great Western payment was fully up to expectations at 4½ per cent in all, but the ½ point increase was found almost entirely by putting less to reserve. The general reduction in contingency allocations is, presumably, a reflection of the smaller need to provide against war damage, and it is very largely out of such reductions that the increased distributions have been made and not from expansion in earnings outside the Government scheme. Since the whole transport system was working virtually to capacity throughout 1942, there would seem to be little room for any further increase in distributions. In view of the fact that most of the lines are over-capitalised by peacetime standards, and that all have from time to time been short of ready money for new construction, the extremely liberal distribution policy is to be deplored. It clearly rests on the belief that the Government will provide, and so places a potent weapon in the hands of those who maintain that transport should be state-owned. The two accounts so far

Irish Banks' Returns

The returns for the banks operating in Eire for the December quarter, published by the Currency Commission, are as follows:—

	(£000's)		Dec. Quarter, 1942		
	Dec. Quarter, 1941	Sept. Quarter, 1942	In Eire	Elsewhere	Total
Liabilities:—					
Capital, reserves, etc.	17,615	17,637	10,422	7,228	17,650
Notes in circulation	15,026	16,683	5,378	12,448	17,826
Current, deposit and other accounts	194,327	205,858	153,353	61,294	215,247
Other liabilities	7,964	8,521	6,278	1,954	8,232
Total	235,534	248,701	176,031	82,924	258,955
Assets:—					
Cash and Balances with London	31,702	32,078	10,891	25,327	36,218
Agents and other Banks	14,111	18,349	1,113	17,970	17,970
Money at call and short notice	4,451	4,113	3,586	394	5,980
Bills	67,515	64,585	47,294	19,871	67,165
Loans and advances	98,073	109,767	7,567	106,642	114,209
Investments: (a) Government	9,724	9,204	3,891	5,305	9,196
(b) Others	9,956	10,480	5,461	4,753	10,214
Other assets					
Total	235,534	248,701	78,691	180,264	258,955
Excess of Assets outside Eire over Liabilities outside Eire	83,753	93,794	...	...	97,339

The expansion of the banks' resources continues. The increase in the note issue is confined to Northern Ireland as the consolidated bank note issue in Eire is limited to a maximum of £6,000,000. The growth of deposits reflects rising prices for agricultural exports together with a lack of investment outlets. The steadiness of loans and advances is in striking contrast to experience in Great Britain. Another point of contrast is the small extent to which the Irish Government is in debt to the banks. The growing accumulation of net sterling assets emphasises the interest of Irish financial institutions in the maintenance of the value of sterling after the war.

Hire Purchase—A Correction

In *The Economist* last week, page 243, it was stated that the new Board of Trade order makes it compulsory for traders to sell perambulators on hire purchase terms if they have done so before and if such facilities are required by their customers. This was incorrect. They are under no obligation to do so.

Investment

available show virtually no increase in revenue outside the Government scheme. The rise of £340,000 in LMS revenue was within the plan, and is merely a reflection of the fact that the net credit for 1941 was lower than the mathematics of the scheme would have suggested. The fall in railway equities has gone hand in hand with a return to more normal dimensions in the number of bargains received in that section. This fall is mainly responsible for the fact that the total received is now once again the lowest since the period of stagnation experienced in December.

South African Budget

The direct interest of the British investor in the budget presented this week by Mr Hofmeyr is still largely concentrated on its effect on gold and diamond shares. There was some relief that the increase in the special contribution to be made by the former is only from 20 to 22½ per cent against the figure of 25 per cent which would have caused no surprise. There will, however, be some disappointment at the rise in contributions of the diamond companies of 6d. to 4s. 6d. for the ordinary and rs. to 3s. for the special contribution. For other companies, the normal rate is raised from 3s. 6d. to 4s., while EPT is put up to 15s. against 13s. 4d. Further, the tax on dividends paid to foreign shareholders is raised from 1s. to 1s. 6d. in the pound, to yield £480,000. One further indication is provided which is of substantial value to holders of gold shares, namely, that, on the basis of old taxes, revenue from the mines would fall by £2,200,000. This appears to mean that the fall in production of January will be representative of the general performance of the year. The curtailment of profit by rising costs and restriction of supplies is, thus, considerable. The

company taxes outlined, and the contributions from foreign shareholders, are together estimated to yield an increase of some £3,750,000 on the year, leaving £3,500,000, in very round figures, to be raised by customs and excise, £1,500,000 by increased taxes on incomes and private companies, and a deficit of £500,000 after bringing in some miscellaneous items of small amount. It is to be noted that duties of a penny a tot on spirits and 2d. on 50 cigarettes yield between them two-thirds as much as the increases in all the company taxes. Against this, there is no increase in the petrol duty. Mr Hofmeyr characterised his budget as drastic, and certainly some of the increases are impressive, as is the fact that virtually the whole of the increase appears to be financed by taxation and not by borrowing. The response of the British investor to the announcement was very slight but Cape buying put up prices for both gold and diamond shares. The effect of the increase in non-residents tax will presumably be to accelerate the repatriation of South African shares.

British Investments in Portugal

It is idle to pretend that the tentative proposals of Portugal to convert six foreign-owned public utility concerns into Portuguese companies came as a complete surprise, or that it can be hailed with anything but regret. No actual dispossession is under consideration, but the provision for the lodging of shares in Portugal before voting rights can be exercised will, if given effect, further restrict the appeal of these investments, and so, to some extent, diminish their value. The whole matter is still in its early stages, and only comment of the most general kind is possible. The two British-owned companies involved are Anglo-Portuguese Telephone and Lisbon Tramways. The price of the former fell 1s. 3d. to 23s. 9d. on the news, but the latter were steady at 30s. 9d. It is an inevitable result of the increasing inclination to place the control of public services, if not of all industry, in the hands of the state, rather than of private enterprise, that foreign ownership of such undertakings should be considered undesirable. The wisdom of the policy may be questioned, but, if the desire for it is strong, there appears to be no alternative but the transfer of control, if not of ownership. It is, perhaps, doubtful whether foreign owners would wish to retain their investment under such circumstances, and the most satisfactory, and possibly the only honest, method of procedure is to make a reasonable offer for the shares in those cases where control is to be assumed, either openly or by fixing costs and rates chargeable. It may be that Portugal is actuated only by a desire to control the country's public utility services, and has no antagonism to foreign capital as such. There appears, however, to be a growing dislike for foreign capital, at least in the Spanish and Portuguese republics of the Americas, and this is to be deplored. It is essential for the full development of the world's resources that there should be greatly increased movement across national frontiers of money and men, as well as of materials and manufactured goods. It is to be hoped that Portugal is not to join the ranks of those who hope to achieve prosperity by minimising foreign trade, for that is one effect of banning the entry of foreign capital.

U S Bank Profit Statements

While the balance-sheets of banks, both in this country and America, are reasonably informative, it has always been the case that British banking profits have been regarded as a matter for secrecy. All that the best banking profit and loss account provides in this country is a net figure after all tax, showing only published allocations, including the amount paid in dividends. In the USA, the position has, in many cases, been even less satisfactory, and it is, therefore, highly gratifying to learn, through the good offices of the Central Hanover Bank and Trust Company, that the American banks have been working towards a uniform type of earnings statement. The first of these, published by this bank, presumably in the agreed form, shows earnings under three headings: interest and discount on loans; interest and dividends on securities; and commissions and other fees. The total is some \$17½ millions, to which the first and the last of the three categories contributed, very roughly, a quarter each. Against this are charged expenses of \$11.2 millions, of which salaries called for \$5.7 millions, general expenses \$5.1 millions, and depreciation of property \$343,200. This is quite a fair amount of informa-

tion, and appears fairly straightforward. It leaves out, however, capital profits. These are included under reconciliation of capital, surplus and undivided profits as \$283,647 net profit on securities. A great deal turns upon the interpretation of the word "net," and an explanation would be welcome. The whole statement is, on any interpretation of this world, a great step forward, but it does not appear on the face of it, that the public is any nearer an estimate of true earnings before secret reserves.

Unit Trust Extension

The British Industrial Corporation, controlling the "Keystone" group of unit trusts, gives notice that the life of Gold Producers Deposit Receipts (First Series) Trust is about to expire. The life was ten years, and the first units formed would normally be liquidated, and the proceeds distributed, in about April next. Sub-unit holders who wish to do so are invited to extend their holdings for a further maximum period of ten years. As previously, the managers or trustees will have the right to bring the trust to an end at any time on giving six months' notice. Holders of sub-units have the right to realise their holdings at any time. In remuneration for their services, the managers will receive, half-yearly, one-half of one per cent on the current market cost price of investments in the trust. The fee was previously one per cent yearly. The problem which faces the holder in deciding whether to accept this offer of renewal is essentially the same as that with which he has been faced in deciding to retain his holding so far. The recent South African budget decisions will be a new factor of transient importance. The fundamental consideration is the place which gold is to occupy after the war. Despite the great rise in the price of gold over the decade, profit experience is not very encouraging. The first distribution of this trust was 7.67d. per sub-unit net in August, 1933, the highest 10.77d. in February, 1937, and the lowest 5.63d. this month. The corresponding gross figures are, first and lowest 10.23d., highest 15.9d. February, 1940, latest and lowest but one 11.26d. per sub-unit. It is impossible in the absence of accounts to give a considered opinion on the charge demanded for their services by the managers. It represents a considerable proportion of the total income, but is not necessarily unreasonable. The managers point to the yield of some 11 per cent on the sub-units—now priced at 16s. 6d. against an original issue price of 20s.—as being attractive. Even bearing in mind that, out of this return, a considerable part of the capital invested has to be amortised, the high level is surely an indication of the risk which is felt to attach to such an investment.

Company Notes

Lampert and Holt Accounts

The full accounts of Lampert and Holt for the year to December 31st last—the preliminary statement was discussed in *The Economist* on February 20th—show that total income declined from £184,452 to £111,748. As was to be expected, the transfer for depreciation of fleet is reduced, by £25,000 to £75,000, but despite this economy equity earnings are down from £74,474 to £26,929, providing very narrow cover for the 6 per cent dividend. The carry forward is £145 higher at £203,102. The reason for the setback is stated frankly by the chairman, Sir Philip Haldin—the continued loss of fleet by enemy action. Fixed assets before the latest depreciation are down from £439,510 to £277,285. Tonnage replacement reserve is up from £1,180,256 to £1,502,556, and GTR from £394,600 to £475,200. Debtors, freights under collection and balance on pending voyages have jumped from £316,601 to £897,112. Cash holdings are nearly stable at £1,735,873 against £1,792,532, while net liquid assets have risen from £1,842,720 to £2,416,194, a good index of the cost of shipping lost. Sir Philip Haldin provides a striking pointer to the dimensions of the post-war replacement problem by disclosing that the construction of two vessels, which in 1939-40 cost the company £175,000 each, to-day requires £300,000. He puts in a plea that the peace conference shall attempt to prevent the subsidising of national mercantile marines. This is, of course, a fundamental condition of the return of competitive conditions on the high seas. It is the logical alternative to a policy of nationalisation. The 6s. 8d. ordinary stock, at 10s. ex dividend, yields £4 per cent. The outlook for this year is improved by an increase in rates of hire.

The Harrods Group

The preliminary results of the Harrods group set a cheerful note at the opening of the stores dividend season. Harrods itself and the two main subsidiaries, D. H. Evans and Dickins and Jones, all announce increases in net profits which far outstrip the previous year's tentative recovery. Coupled with the results of Lewis's, Ltd., and Barkers, the first batch of figures certainly suggest that the recovery has been general. With net profits of £714,840 against £560,120, in the year to January 31st last, Harrods announce a 1 per cent rise in the ordinary dividend to 6 per cent. Tax reserve claims £275,000 against £120,000, but, in the absence of any transfer to staff pensions against £25,000, there is a rise in equity earnings from £115,120 to £139,839, representing 6.6 against 5.2 per cent. The whole of the surplus is passed on to the carry forward, which is raised from £206,268 to £213,196. Relatively, the recovery of the principal subsidiary, D. H. Evans, is equally satisfactory. Net profits over the same period amount to £134,498 against £94,355, after an allocation of £11,525 against nil for deferred repairs. Equity earnings may be estimated to have risen from £72,355 to £86,498, and the ordinary payment of 8 against 7 per cent is covered by 11.2 against 9.1 per cent. The smaller London interest, Dickins and Jones, which suffered more seriously than the other two concerns from the effects of wartime restrictions and blitz, is not yet back in the dividend lists. Net profits, however, are up from £41,374 to £78,907. This makes it possible, after providing £15,000 for taxes and £14,000 for writing down assets, to meet the year's preference dividend, to add £3,173 to reserve for such dividends and to increase the carry forward from £3,219 to £4,910. The parent is thus not in sight of a dividend on its investment. The Harrods £1 ordinary stock, at 46s. 6d. ex dividend, yields no more than £2 11s. 7d. per cent, a level which presupposes a very substantial further recovery in earnings.

The Kensington Stores

The preliminary statement of John Barker to January 31st last shows a rise in net profits from £253,748 to £345,056, a level which suggests that the pre-tax figure may have touched a new high. The Kensington group, which John Barker controls, have throughout the war enjoyed more profitable trading than the rest of the London department stores. The latest figures show that their recovery from the trough is at least as good as any realised elsewhere, even on the basis of net figures. After meeting preference dividends and repeating the customary transfer of £10,000 to staff funds, there is £288,881 against £197,573 for the equity, representing 42.2 against 25.7 per cent. Ordinary shares receive 10 per cent, as in each year since the normal pre-war rate of 15 per cent was reduced in 1940. Of the surplus of £178,248, £75,000 against £35,000 goes to general purposes reserve, £25,000, as before, to write off fixtures and fittings, and £50,000 against nil to write off properties. There is no allocation against £25,000 to modernisation reserve, so that the carry forward is raised from £207,264 to £235,512. The warning note struck by the chairman, Mr T. A. Bowen, in his statement last spring, that net profits must be seriously threatened by growing shortage of stock has not so far been justified. But until the war is won, this remains a very real danger, and the latest results should not be taken to suggest that an unlimited recovery is on foot. The £1 ordinary shares, at 56s. 9d., yield £3 11s. 9d. per cent, at which level they, in common with other department store shares, appear somewhat overvalued.

A Provincial Result

Lewis's, Ltd., which controls the important Midland and north country group of department stores, earned in the year to February 1st total profits—after tax, including EPT—of £802,452, against £793,743. There is little change in disclosed charges, depreciation of fixtures receiving £10,000 as before, so that there is £362,397, against £353,030, available for the deferred capital, representing 366.8, against 350.9 per cent. The management has wisely decided to repeat the 250 per cent deferred dividend, instead of restoring it to the customary pre-war level of 275 per cent. Of the surplus, £25,000, against £24,155, is transferred to general reserve, £30,000 to contingencies, against £60,000 to tax and contingencies, while the remainder is

devoted to raising the carry forward from £32,688 to £46,335. The £60,000 provided for tax or contingencies in the previous year was, as the chairman, Lieut-Colonel S. S. G. Cohen, points out, required for an additional EPT demand literally during the preparation of the accounts. The most striking change shown by the latest balance-sheet is the rise in stocks from £559,865 to £653,356, for which the inflation of values caused by the Purchase Tax is solely responsible. The decline in cash from £440,051 to £295,335 has financed the higher stock holdings and also part of the reduction in creditors from £366,455 to £220,457. There is little change in net loans from subsidiaries and associates at £414,942 against £419,915. Total reserves are actually slightly lower at £1,929,258 against £1,930,381. The chairman in his statement is able to report that all trading subsidiaries earned increased gross profits, but that since all suffer from poor EPT standards, there was little margin for providing depreciation and building up reserves, for which the management is forced to rely on the promised 20 per cent EPT refund. The chairman provided a detailed account of the history of retailing in the past year, and suggests that, in war conditions, the best solution for the problems of high prices and poor quality is to be found in the extended provision of utility goods. Of the Purchase Tax, he has no good word to say, characterising it as wholly inflationary, a tendency accentuated by the system of uplifts devised in an attempt to define "notional wholesale value." The deferred stock is all held by Lewis's Investment Trust, whose ordinary £1 stock, at 65s., yields £4 14s. 6d. per cent on the 15 per cent distribution.

Bovril Stability

The report of Bovril, Ltd., for 1942 shows that net profits are little changed at £310,109 against £299,215. The company's liability for income-tax and EPT is not disclosed, and it is impossible to deduce the actual trading results. It is clear, however, that there is a ready market for all the company can produce. Depreciation requires £21,542, some £1,700 more than last year, and, after meeting preference dividends, equity earnings total £131,286. Thus the cover for the 9 per cent equity dividend, to which level the payment was raised by one point in 1941, is equivalent to 17.3 per cent on the deferred capital, against 15.4 earned a year ago. After repeating the £30,000 allocation to reserve, it is possible to raise the carry forward £11,286 to £96,973. The most interesting feature of the balance sheet is the reduction by some £146,000 to £647,126 of investments in associated companies. The late Lord Luke explained that certain debentures have been redeemed, while other marketable securities were sold to take up tax reserve certificates. In direct contravention of the recommendations of the Council of the Institute, the extent of this holding is not disclosed, but deducted from the sundry creditors and tax provision item, which stands at £476,864. There can, therefore, be no valid comparison between that figure and last year's total of creditors and tax provision of £838,487. No mention is made this year of the Argentine subsidiary, whose losses were last year being borne by the company's EPT cushion. Stock is practically unchanged at £885,790, while cash is some £33,000 higher at £235,262. Debtors, however, have fallen sharply from £472,542 to £351,015. The call of 2s. per pre-preference share made last November yielded £50,000, and is shortly to be followed by another call, possibly of 4s. per share. In view of the fact that the company's net liquid assets total virtually £857,000 against £601,285, it would be interesting to learn how the additional finance is to be utilised. There can, however, be little doubt as to the company's ability to maintain its present earnings, certainly for the duration of the war, the chairman stating that retailers were receiving at least their pre-war quotas. The return on the £1 deferred shares, which at 34s. ex dividend yield £5 5s. 10d., discounts to some extent fears of renewed competition in the post-war period.

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.)	

Kern Oil Difficulties

For the second time in succession, profits of Kern Oil declined in the year to May 31st last, on this occasion from £259,442 to £199,366. In the same period, consolidated earnings are down from £342,773 to £277,871. In the company's accounts, there is a substantial saving in depreciation, which receives only £90,467 against £135,598. The rise in tax provision from £64,442 to £82,004 is also alleviated by bringing in £32,750 over-provided in previous years. Thus, there is only a slight reduction in equity earnings, at £45,305 against £46,801, representing 10.1 against 10.5 per cent. The 6 per cent dividend, reduced from 8 per cent in the previous year, is repeated. General reserve receives nearly £7,000 less at £13,439, but there is a transfer of £10,000 against nil to Mexican reserve and the carry forward is reduced from £35,346 to £30,462. The information supplied by the directors does, however, suggest that operating conditions are more unfavourable than is indicated by the setback in profits. The Mexican company made a loss which is provided against by the specific allocation. There is no prospect that this company will do better until the political situation in that country has been clarified. There was some improvement in net results in Trinidad, but, in California, output was restricted and costs have risen. The chairman, Mr George W. Ivey, points out that the latest profits were only attained through the strictest economy, and issues a warning against assuming that the current dividend can necessarily be maintained. Expendi-

ture on the unsuccessful venture on Trinidad Northern Leases has now been written off by the transfer of £89,939 from general reserve. The total of this fund is restored to £100,000 by the latest allocation from profits, but shows a net fall of £76,641. The company's balance sheet reveals that net liquid assets of £87,791 have replaced a deficit of £13,740, while in the consolidated statement there is an increase in net liquid assets from £103,037 to £208,334. In both cases, the improvement is largely due to higher cash holdings. Advances by the company to its subsidiaries are some £10,000 lower at £84,633. No final settlement regarding the company's EPT liability has been arrived at, but the directors are confident that the existing provision is adequate. The most powerful influence on the course of profits is probably the future of crude oil prices in the United States. The 3s. 4d. stock, at 4s. 3d. ex dividend, yields 4 1/4s. 1d. per cent.

Gas Light and Coke Payment

Owing to a typographical error it was stated on page 216 of *The Economist* of February 13th that the resumed dividend on the 3 1/2 per cent maximum stock of the Gas Light and Coke Company was at the rate of 1 1/2 per cent. This figure should have been 1 1/4 per cent, that is five-fourths of the rate on the ordinary. We regret any inconvenience or confusion the error may have caused.

Industry and Trade

Industrial Location

Nothing is more irresponsible than to hold out hopes for the economic future that cannot be fulfilled. But excessive timidity and pessimism can be equally harmful. In his paper on Industrial Location, read before the Royal Society of Arts, on February 10th, Mr R. G. Glenday, economic adviser to the Federation of British Industries, rightly pointed out that the problem of industrial location must be viewed against a background of dynamic change, and not treated as a static problem "of siting an odd assortment of independent and separate factory pieces on a stationary industrial chessboard." There must be flexibility and adaptability if Britain is to make the best possible use of its resources in the future; especially as the war has temporarily reversed the trend of an absolute and relative growth of service industries, and a movement of population from north to south; it has actually led to an enormous expansion of some of the older and formerly stagnant industries. The primary reconstruction problem, in Mr Glenday's view, will not be so much one of choosing the regions in which new industries are to be established, as of selecting those in which over-expanded industries are to be contracted. In other words, the immediate need will be for adjusting Britain's economy to peacetime conditions. But Mr Glenday is very cautious, if not pessimistic, about the future:

So far as new industries are concerned it seems probable that in the absence of some new line of technological advance equivalent in range and penetration to the motor-car and electric power, we must look forward to a very slow rate of advance once the task of post-war restoration has been achieved.

This view is based on present population trends, and on the fact that in the past the successive waves of rapid expansion were generated by the upsurge of new industries, such as the railways, the motor industry, electricity and so on. Technical advance through mass production and mechanisation, Mr Glenday holds, will reduce the employment-absorbing capacity of the older industries, at least as fast as it will increase that of the newer industries. Mr Glenday does not heed his own warning against regarding industry as something "static." There is no justification for assuming that some new industry comparable in importance with those he mentions will not arise. But, far more important, he overlooks the enormous potential demand for the existing range of consumers' goods which could be made effective by rapid technical progress leading to sweeping reductions in the real costs of existing and established industries.

Chamber of Shipping

The annual reports of the Chamber of Shipping, which represent the views of a substantial body of British ship-

owners, are never devoid of interest. The latest report, published last week, expresses the anxiety of shipowners about the destruction of their capital assets; it "presents the gravest problem with which the industry is faced," especially as it has been unable to make adequate provision for replacement. The first step towards its rehabilitation has been the arrangement for transfer to private ownership after the cessation of hostilities—in his address to the shareholders of the Lamport and Holt Line Sir Philip Haldin, the chairman, strongly urges immediate transfer—of vessels built for the Government. The first allocation under the scheme covering vessels delivered to the Government up to September, 1941, has been almost completed. Deliveries made during the last quarter of 1941 are being mostly allocated to Allied Governments; the second allocation to British shipowners will be of vessels delivered from January to June, 1942. Secondly, last autumn agreement was reached on the conditions on which shipowners may obtain licences to build ships for their own account during the war. The principle governing such licences is that the vessels to be built must be of certain types prescribed by the Admiralty as most urgently required for the prosecution of the war and must conform to wartime specifications, which are "far below those required for peacetime trading." While the volume of merchant ship construction for both Government and private account is by no means negligible, it has so far been well below the rate of loss. The industry recognises that the elimination of Government control after the war must be a gradual process, but the report once again emphasises that, "under conditions of commercial competition, experience has shown that Governments have never been able to run the industry successfully."

Mr Geddes on Air Transport

The Chamber of Shipping's report expresses no views on the problem of air transport, but the gap has been filled by Mr I. C. Geddes, in his presidential address to the Chamber of Shipping on February 25th. The views of Mr Geddes are of special interest in that he is also deputy-chairman of British Overseas Airways Corporation. He pointed out that the balance between sea and air transport can only be found by trial and error; but that, in view of developments in design and operation the balance will not be a static one. Technically, air transport has an advantage over sea transport in that ships are built to last twenty years and aircraft only five. A fleet of aircraft can be modernised more quickly than a fleet of merchantmen. While agreeing that British policy must take account of the policy pursued by other countries, Mr Geddes rightly deprecates the artificial fostering of air transport. The aim of the British Government should be to secure international agreements on some basis on which the earnings of air transport would approxi-

mately cover costs, "the only way by which air and sea can eventually find their own level." Where air services can be maintained without subsidy, Mr Geddes observed, private enterprise should be encouraged to develop air transport in the same way as it developed the merchant marine.

Japan's Merchant Fleet

Japan, like Britain, depends on an adequate supply of ships for the massing of its full economic and striking power. Like Britain, Japan is probably short of shipping capacity, but there are no reliable estimates of the extent of its deficiency. According to Mr Tarashima, Minister of Transport, Japan's merchant fleet totalled 7,000,000 (presumably gross) tons at the outbreak of war and its size has not shrunk; this implies that sinkings have been offset by new construction and captures. He pointed out, further, that the shipbuilding programme was designed to raise the tonnage to 7,500,000 during the current year. Mr Tarashima's statistics about the prewar size of Japan's merchant fleet are somewhat higher than current estimates (he may have stretched his definition); but his statement that the total tonnage had been maintained may not be far from the truth because captures have been considerable. But in future Japan cannot rely on captures and its building capacity which, though enlarged by the conquest of territories with facilities for constructing small vessels, must be well below a million gross tons a year. By sinking their ships, the United Nations are hitting the Japanese at one of their most vulnerable spots, especially as a tonnage of some 7,000,000 can hardly be commensurate with their present needs.

Water Power in Scotland

The Hydro-Electric Development (Scotland) Bill, which, if passed, will empower a Board (four of its five members are to be appointed by the Government and one by the Central Electricity Board) to generate electricity from resources in its area, has given rise to a good deal of criticism. The case of those who argue that industrial development would spoil the natural beauty of the Highlands would be a strong one if spoliation were inevitable. Fortunately it is not; in fact, the Bill makes special provision to this end by providing for the appointment of an amenities committee. The exploitation of the water-power resources in Switzerland can hardly be said to have disfigured the countryside or adversely affected the tourist trade. Hitherto, moreover, the contemplation of the beauties of the Highlands has been virtually reserved for those with large purses; little encouragement to visit them has been given to the ordinary tourist with limited means. Another criticism which deserves careful consideration is that the Bill merely provides for the generation of electricity in the Highlands instead of for their economic development according to a regional plan. Dr Julian Huxley, for example, in a letter to *The Times* on February 22nd, suggested the appointment of a regional authority on the lines of the Tennessee Valley Authority in the United States, with the same "overall mandate of multi-purpose planning for the general development and welfare of the region." While a more comprehensive development scheme undoubtedly has attractive possibilities, the Committee on Hydro-electric Development in Scotland, which reported last December, asserted that a scheme for the generation of electricity in the Highlands would be justified on economic grounds.

We consider that, even if our proposals are viewed solely as a contribution to the national supply of electricity and without regard to the very important local and general advantages which will indirectly accrue to the Northern Area, our recommendations would be worthy of adoption in preference to the provision of an equivalent capacity of new steam plant.

It is the economic assumptions underlying the Bill—it passed to second reading in the House of Commons on Wednesday—and the merits of a more comprehensive development plan that deserve further examination.

Wage Claims

Two important wage claims, which involve two of the largest unions and the most vital to the war effort—engineering and rail transport—are pending, and are likely to be the subject of some contention in the near future. The withdrawal of the strike threat by the railway engine-

men, in the national interest, and in the light of the Minister of Labour's statement that in the circumstances their strike would be illegal, was generally hailed with relief. But the matter, which has cost a lot of time and tempers, does not rest there. The union's executive has been instructed to formulate a new wage claim for presentation to the Railway Tribunal, and, as a result of negotiations with the other railway unions, the National Union of Railwaymen and the Railway Clerks' Association, who were parties to the original award (which they accepted in spite of dissatisfaction with the amounts granted), a joint new claim for all grades is to be made. In presenting a united claim, the railway workers are following the example of the engineers. Previously the Amalgamated Engineering Union and the Foundry Workers' Union had acted in isolation, but last summer the 40 unions of the engineering trades put forward a collective claim. They asked for an increase of 11s. on the basic wage, for 33 1/3 per cent on the basic rate for plain-time workers and for the restoration of the pre-1931 conditions in regard to overtime, night shift and Sunday work. The claim, it was estimated, would cover about 1 1/2 million workers and would cost about £65 millions a year. The engineering employers made a counter-proposal and a joint sub-committee was set up to examine the offer. It is understood that the employers are unwilling to concede the restoration of the pre-1931 conditions. Last week the sub-committee's recommendations were turned down, and the conference of the 40 unions was adjourned to enable the representatives to consult with their executives. Presumably, if the normal negotiating machinery fails to produce a settlement, resort will be had to the National Arbitration Tribunal; if so, it is to be hoped that arbitration will prove more successful than it has done in the case of the railwaymen. By contrast with these difficulties, it is satisfactory to hear that the miners' union has accepted by a large majority the scheme for the establishment of a National Wages Board.

Allied Meat Purchases

The Combined Food Board was set up in Washington last June to pool Allied food resources. After three months, the Board announced a plan for the purchase by the British Ministry of Food of the whole tea surplus of India and Ceylon, at fixed prices. Provision was made for the sharing of available supplies between consuming countries. This was followed by a similar plan for the purchase of oils and fats, which are bought by the United States and Great Britain in different countries, on behalf of the pool. An agreement has now been concluded in Washington by which Great Britain will be the sole buyer of meat and meat products for the United Nations, including the United States, in Argentina, Brazil, Paraguay and Uruguay. The supplies thus bought will be allocated according to Combined Food Board recommendations, based on surveys of world meat supplies and wartime needs. Apart from the efficient use of shipping and allocation of supplies which can be achieved by the plan, the saving of tin is envisaged. Canned meats will be available only for military use, and will be conserved, as far as possible, for use in action. Canned meat of the bully beef variety has not been available for civilian consumption in this country for nearly a year and was last used to supplement fresh meat, which was particularly scarce at that time. The United States has stopped its importation for civilian use. The pooled buying of other vital commodities may be announced in the near future.

Produce Federation

Following a series of discussions last summer and autumn the majority of British commodity trade associations decided early this year to form a federation "for the consideration of post-war problems and all such current developments as are likely to affect the post-war position of the commodity trades." The new organisation was registered on February 4th, as a limited company known as the "British Federation of Commodity and Allied Trade Associations Ltd." The Federation is governed by a Council, consisting of one representative from each association. At its first meeting, held last Friday, Mr E. Mackenzie Hay, of the Rubber Trade Association of London, was elected Chairman, and Mr A. Chaine-Nickerson of the Liverpool Cotton Association, vice-chairman. They will remain in office until the first general meeting, which is to

(Continued on page 280)

COMPANY MEETINGS

SUN LIFE ASSURANCE SOCIETY

SATISFACTORY RESULTS

THE HON. SIR WILLIAM H. GOSCHEN'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63 Threadneedle Street, London, E.C. 2, on the 16th proximo.

The Hon. Sir William H. Goschen, K.B.E., chairman of the society, has issued a statement to shareholders, which will take the place of the address usually made at the meeting.

The statement is as follows:

CHANGES IN DIRECTORATE

Before dealing with the report and accounts for the year ended December 31st last, it is with the greatest regret that I refer to the recent death of General The Hon. Sir H. A. Lawrence, G.C.B., who had served on our board for over twenty years, during which time he took a keen and most helpful interest in all the affairs of the society. The directors feel their loss very deeply and he will long be remembered by us all not only because of our sincere appreciation of his services, but also on account of his outstanding charm of manner which endeared him to all with whom he came into personal contact.

I am pleased to report that Mr David J. Roberts has been elected to the board, and that his appointment as a director of the society will be submitted for confirmation at the approaching annual general meeting. I consider that we are indeed fortunate in securing the services of Mr Roberts and that his valuable financial knowledge will undoubtedly enable him to contribute materially to the welfare of the society.

FUNDS, INCOME AND OUTGO

During the year 1942 our total funds increased by nearly two-and-a-half million pounds to over £52,760,000.

In the life account the increase was £2,368,000. The premium income in that account was £5,296,000 as compared with £5,111,000 in 1941. Of the increase of £185,000 thus shown, nearly £160,000 was in respect of renewable premiums, the balance being due to a small increase in the amount of single premium business effected during the year.

The gross interest income was £1,890,000, which, although slightly larger than that of the previous year, was earned in respect of an appreciably larger fund; the net interest income of £1,472,000 shows an increase of about £36,000. The gross rate of interest earned was 4 3s. 6d. per cent. per annum, as against 4 4s. 11d. per cent. per annum for 1941. The fall is principally due to the support which the society has continued to give to current war loan issues, under which, as I mentioned last year, the rates of interest are lower than those earned upon most of our other investments. The extent of the fall is, however, somewhat less than that shown between 1940 and 1941.

As regards the outgo from the life account, death claims (which include war claims of just over £200,000) were £1,427,000, which is £193,000 less than those for 1941. Claims by maturity were £1,987,000. Surrenders by £238,000 were about three-quarters of those of the previous year, and less than one-half of those for the year 1940. This reduction is doubtless largely due, as I stated last year, to our policyholders' recognition of the value of life assurance in present conditions. I should, however, like to add that we have for many years past consistently endeavoured to dissuade policyholders from surrendering their assurances by placing before them alternatives, by way of loan, conversion to paid-up assurance, and other means, whereby they might continue to

enjoy the advantages of some, if not all, of the life assurance protection which they would otherwise have sacrificed.

Commission and expenses of management are together about £3,100 in excess of the previous year's total, but as a result of the growth of the renewable premium income the "commission and expenses" ratio again shows an appreciable reduction.

The item "war damage contributions" of £11,458 is somewhat less than one-half of that passed through the 1941 account, because in that year there were included not only the contribution which was due on July 1, 1941, but also that which was due on July 1, 1942, and had fully accrued on the previous January 1st.

The annuity, sinking fund and accidents accounts are, of course, of minor importance in comparison with the life account, and present no features upon which special comment would appear to be necessary.

NEW BUSINESS

The total life new business for the year was £9,376,000, and although this is only 43 per cent. of our pre-war figure it represents a satisfactory increase upon last year's total. The transaction of this amount of business is, I think, in itself a testimony that the public still appreciates the advantages of a "Sun" policy, and the service which the society can offer. This is especially so as our outdoor staff, being so depleted, is no longer able to bring the advantages of life assurance to the notice of the public to an extent even remotely comparable with that possible before the war. At the same time, the society is still able to offer facilities for the transaction of such business as is offered to us, and in doing so is, of course, directly furthering the cause of saving, upon which the financial security of the country so largely depends.

REVIEW OF ASSETS

It will be seen from the balance-sheet on December 31, 1942, that the total assets of the assurance funds then amounted to over £53,000,000. Of this sum nearly one-quarter is represented by mortgages and loans, which are well secured at the figures at which they appear. The item of £5,666,000 relating to mortgages on property within the United Kingdom largely consists of loans granted in connection with our house purchase scheme. This scheme continues to show results which are satisfactory to the society, and which are, in fact, considerably better than one might have anticipated at the outbreak of the war. Incidentally, I may mention that the society has continued to make new advances under this scheme ever since the outbreak of hostilities, although the extent of the new transactions is now, of course, much smaller than formerly. It is hoped, however, that after the war this business will regain its more normal proportions and that thereby the society will not only be provided with a suitable outlet for its increasing funds but will also have the satisfaction of assisting to some extent in the solution of the financial aspects of the housing problem.

The investments shown in the balance-sheet amount to nearly £38,000,000, of which almost one-half consists of British Government securities, the society having during the year increased its total subscription to current war loan issues by £3,500,000. The remaining investments consist principally of redeemable securities, which from their essential nature are free from the risk of serious depreciation.

The general improvement in the values of securities during the past year which has resulted from the pressure of money for

investment in a limited market has, however, brought its own problems with regard to the disposal of that portion of our funds which is available for general investment. Nevertheless, the society has maintained its practice of investing its available resources within the British Empire whilst at the same time taking any suitable opportunity of reducing its existing holdings of foreign securities. As a result of the continued pursuit of this policy, over 97 per cent. of our total assets are now invested within the Empire, and the market value of the assets as a whole exceeds their balance-sheet value by a considerable margin.

INTERIM BONUSES

In accordance with the recommendations made by the Actuary, the interim bonus regulations which are to apply to participating assurances during the current year have been decided by the directors.

The following regulations will accordingly apply during 1943 to assurances in respect of which bonuses are normally declared as reversionary additions to the sums assured.

If during the year 1943 an assurance should produce a claim for the sum assured by death or maturity, or should be surrendered, an interim bonus would be paid in respect of the premiums due and received since December 31, 1936. The rate of interim bonus will depend upon the rate of reversionary bonus declared for the years 1932 to 1936 and will be as follows:—

(a) For an assurance producing a claim: Three-fifths of such rate of reversionary bonus.

(b) For an assurance terminating by surrender: The surrender value of a reversionary bonus at three-fifths of such rate in respect of premiums due in the years 1937 to 1941, and at one-half of such rate in respect of premiums due subsequently.

For an assurance effected by single premium the interim bonus will be the same as for an assurance subject to annual premiums.

For an assurance effected by a limited number of premiums the interim bonus will be the same as for an assurance subject to premiums payable throughout the duration of the assurance.

As I indicated last year, similar regulations will be made from time to time up to the date of the next valuation, and in deciding upon the rates of interim bonus to be allowed, the board will endeavour to safeguard the interests of the policyholders whose assurances terminate, equally with those of the policyholders whose contracts are continued in force.

TRIBUTE TO STAFF

It has been my privilege for many years on the occasion of the annual general meeting to voice, on behalf of the shareholders, our appreciation of the services of the management and staff.

There is probably no business which is more dependent for its success on the skill and energy of its staff than life assurance, and I feel sure that the shareholders, after having read the report and seen the figures of the past year's working, will realise that our high standard and traditional repute for efficiency and ready service have been worthily upheld by our present much depleted staff. I offer them our congratulations and thanks.

Of the management perhaps I may be permitted to say that wartime conditions have added very considerably to their anxieties and burdens, but, in spite of that, they have set a fine example of leadership and have their reward in the excellence of the results.

I should like to add that we keep alive in our thoughts the well-being of those members of our staff who are serving their country, whether at home or abroad, and our sympathy goes out to those families who have suffered anxiety or sorrow.

IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

DIVIDEND MAINTAINED

LORD DULVERTON'S REVIEW

The annual general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held, on the 23rd instant, at Bristol, Lord Dulverton (the chairman) presiding.

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

BALANCE-SHEET

On the assets side all the variations of moment take place in the last section, the total of which is £86,258,223.

Stock-in-trade at £43,869,197 exceeds last year's figure by no less than £15,341,482. While it is true to say that the stock of unmanufactured leaf in bond at October 31, 1942, stood at a rather higher figure than a year before, the main cause of this enormous increase lies in our stocks of manufactured goods which have increased in both value and quantity for the two following reasons: Firstly, in April, 1942, the Chancellor of the Exchequer increased the rate of tobacco duty by ten shillings per pound, and this, of course, means that duty-paid stocks have a very much higher duty-paid value. Secondly, during the year, at the request of the Government, we built up our manufactured stocks to a level a good deal higher than normal. In brief, then, we are carrying a bigger manufactured stock on which a much higher rate of duty has been paid than at October 31, 1941. You will remember that the tobacco duty, which was 9s. 6d. per pound four years ago, is now 29s. 6d. per pound.

Debtors are also much more than last year, the increase being £7,641,559. This is almost entirely due to the advance in prices, caused by the large increase in duty to which I have referred. Government and other securities stand at £631,024 against last year's £9,815,049, a decrease of £9,184,025. At October 31, 1941, a large part of our investments under this heading were in the form of Treasury bills, which matured soon after that date. Subsequently in December, 1941, the Chancellor announced the issue of Tax Reserve Certificates. Your company at once took up a holding of £7,000,000, thus meeting the wishes of the Government by an immediate transfer to the Treasury of funds earmarked for the payment of tax liabilities. There still remains a further gap of £2,184,025 to be explained, and this I will leave, together with the reductions in cash at bankers and in hand and in loans to corporations, etc., until I touch on the bank loan appearing on the other side of the balance-sheet, merely noting at this stage that the sum total of these reductions comes to £2,891,317.

CAPITAL AND LIABILITIES

General reserve appears at £9,500,000, the increase of £500,000 representing a transfer from the profits of the year under review.

Profit and loss account £1,701,032 is the balance left after providing for proposed final dividends and bonus; I will deal with this item more fully later under its separate heading.

Creditors, provision for taxation, and other provisions amount to £41,089,490, an increase of £10,726,898. This is entirely due to the time-lag between the earning of profits and the handing over to the revenue of the taxation arising out of those profits, despite the fact that from time to time we have paid substantial sums on account of tax liabilities not yet assessed. Let me add that your board are satisfied that adequate provision has been made for all liability under this head-

ing up to the date at which the balance-sheet was struck.

Now I come to the bank loan. This appears at £7,500,000, and if you will add to this figure the reductions which I mentioned earlier in connection with certain assets—£2,891,317—you will find that our liquid resources, other than stock and debtors, have been depleted by £10,391,317. This of course is the inevitable consequence of the sterling increases in stocks and debtors, the reasons for which I have already given; and were it not for the time-lag between earning profits and paying taxes, to which I have also referred, this depletion would have been considerably greater.

Deposits by and current accounts with subsidiary companies have increased by £990,214, due much more to larger cash deposits by certain of our subsidiary companies than to increased balances on trading accounts.

PROFIT AND LOSS ACCOUNT

The net profit for the year, after providing for all charges, bonus to customers, income tax and other taxation, and depreciation of property, plant, etc., together with income from investments and loans, shows a figure of £7,970,338, a decrease of £10,903. An interim dividend on the ordinary stock at the rate of 7½ per cent., free of income tax, was paid last September, and it is now proposed, subject to your approval, to declare a final dividend of 7½ per cent. and a bonus of 2½ per cent., both free of income-tax, making a total distribution for the year of 17½ per cent., free of income tax.

The balance remaining to be carried forward is £1,701,032, which is about £34,000 more than the amount brought in at the commencement of the year.

The dividend is the same as last year, both gross and net, and I trust you will regard the maintenance of the rate as a thoroughly satisfactory achievement.

CURRENT TRADE AND FUTURE PROSPECTS

The outstanding event in the year under review was the unprecedented increase of 10s. per pound in the tobacco duty last April, to which I have already referred. Notwithstanding that, consumption has been well maintained; our factories are working to capacity, and we continue to manufacture and sell as much as our quota of raw material allows.

Another important event to which I should like to refer is the scheme adopted at the end of last year for economising transport in the distribution of cigarettes. This scheme was worked out by the leading manufacturers, and involves a very considerable exchange of manufacture. The difficulties of putting into force a scheme of this nature would be formidable in peace-time; obviously in these times such difficulties are magnified many times. However, it has been done, and a very substantial saving of transport effected, without imposing any hardship on the smoking public.

As regards the future there is little that one can say without venturing on the dangerous paths of prophecy, of which I have always tried to steer clear. The fact is that the popularity of our standard brands is today as great as ever. For our ability to supply them we are, however, in the hands of the Government. Provided that we are permitted to obtain supplies of our raw material, and to retain sufficient skilled staff and labour to manufacture and distribute our products, we shall continue to fulfil the requirements of the smoking public.

The report and accounts were unanimously adopted.

ENGLISH ELECTRIC COMPANY, LIMITED

INCREASED OUTPUT

The twenty-fourth annual general meeting of the English Electric Company, Limited, was held, on the 25th instant, in London.

Sir George H. Nelson (chairman and managing director), in the course of his speech, said that the increase of £394,669 in the issued ordinary stock resulted from the exchange of shares with the holders of ordinary shares in D. Napier and Son, Limited. Creditors and reserves were up by £1,381,000, which was largely due to additions to reserves for taxation, etc. The substantial reduction in bank overdraft arose from the fact that payment for work done had been accelerated. The general reserve had been increased by a further £100,000 and now stood at £800,000. The new item under investments, viz., 1,973,981 ordinary shares of 5s. each, fully paid, in D. Napier and Son, Limited, had been taken into the accounts on the very conservative basis of par value.

Notwithstanding a considerably increased output, the profit carried to the balance sheet was, due to the incidence of taxation, only £44,956 greater than in the previous year.

Holders of over 90 per cent. of the ordinary shares of D. Napier and Son, Limited, had accepted the offer to exchange their holdings for ordinary stock of the English Electric Company, and it had been decided to take the necessary steps under the Companies Act to acquire the remaining shares.

In conclusion he referred to the splendid manner in which the company's well-organised staff and works committees continued to function.

The report and accounts were adopted and a dividend of 10 per cent. was declared on the ordinary stock.

THE STERLING TRUST LIMITED

DIVIDEND MAINTAINED

The twenty-sixth ordinary general meeting of this Trust was held, on the 23rd instant, in London.

Mr R. S. Guinness, the chairman, who presided, in the course of his speech, said: Our accounts show a total shrinkage of some £6,400 only, and thus your directors are able to recommend a total dividend of 4½ per cent., the same rate as for the previous year.

After dealing with the Trust's investment policy in Argentine railways, the chairman continued:—Have British investors reaped their just reward? The answer is in the negative. Our investment, mainly in fixed-interest stocks, produced in our 1942 results barely 2½ per cent. You will ask the reason. By Government order the ratio of exchange for remittances of interest and dividends payable by Argentine railways in sterling is fixed at a rate of 16 pesos to the pound, which is over 15 per cent. below the rate of exchange the authorities have fixed for the purchase of sterling required by exporters. In other words, British investors suffer a penal tax estimated at a round million pounds yearly. In other South American countries receipts from transport and commercial undertakings show prospects of improvement. If sound politics and finance prevail after the war, the outlook in South America should be "set fair"; if so, our revenues will benefit accordingly.

The item investments is shown at £4,515,150. The depreciation is reduced to 11 per cent., as against 21 per cent. in 1941.

The report and accounts were unanimously adopted and the dividends recommended were approved.

(Company meetings continued at foot of page 280)

(Continued from page 277)

take place within three months. The troubles of the commodity trades have arisen, not merely from the general dislocation caused by the war, but from the difficulty of fitting them into the wartime arrangements of the Ministries of Food and Supply. In fact, their activities have been almost completely suspended. After the war, however, the commodity trades should again be able to perform an important service; formerly the British commodity markets played a more important part in the marketing of primary products than those of any other country. The new Federation should be of great value in facilitating the return to free commodity markets, and in preparing the reforms that will be necessary to fit them into the scheme of postwar trade.

Food Trades Call-Up

Women of all ages as well as some men under 35 engaged in the food distributive trades have hitherto been left in their work. It has at last been decided that this policy can no longer be justified and the Minister of

Food has announced that a limited withdrawal of labour will be made from this section of the distributive trades. The total number to be released for the Armed Forces and munitions is not expected to exceed eight per cent of those engaged. The grocery and provision trade is to be dealt with first and wholesalers and retailers are to make returns giving details of their staffs on March 1st. The release from small retail firms will be the responsibility of food offices, from wholesalers of the new wartime associations; multiple organisations and co-operative societies will be dealt with separately. Each group will be expected to release one person in twenty. Only men who were under 35 when they registered (these are very few) and women born in the years 1918 to 1923 will be considered for release in the first place, although older workers may be called upon, if necessary, to make up the quota. Due regard is to be paid to the individual circumstances of shops. Mr Bevin in taking powers to direct women into part-time work said that this was necessary in order that services vital to civilians, but not directly to the war effort, could be carried on. One service they could do is to serve in food shops, thus enabling an even greater release of mobile workers from the food trades than the present one envisages.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

WITH the subsiding of activity after the temporary improvement in turnover created by the anticipation of home rail dividend announcements, the volume of markings is again at a low level, Wednesday's total of 4,307 bargains being the smallest this year. Little interest was displayed in the Funds and with the exception of one or two minor recessions for long-dated and irredeemable stocks, the gilt-edged market was without any significant change. Chinese bonds fell back at the reopening of the foreign bond market, but among the South American issues, Brazilian stocks were firmer on rumours of an improved debt arrangement. After the final dividend announcements, fairly general profit-taking and some light selling in the home rail market steadily reduced quotations of the equity and marginal preference stocks. London Transport "C" stock suffered a loss of 1½ points net, due largely to the relatively low yield rather than dissatisfaction with the dividend.

COMPANY MEETINGS—continued

BOVRIL LIMITED

The forty-sixth annual general meeting of Bovril Limited will be held in London on the 2nd proximo. The following is an extract of a statement by the Lord Luke, K.B.E. (chairman), circulated with the report and accounts:—

Early in 1942 it was becoming evident that the public were buying Bovril in 16-oz. bottles instead of 2's, 4's, 8's, etc. This was obviously to the general disadvantage because there could not be such a wide distribution. The sales of this large size had so grown that they represented 20 per cent. of the whole output. In May your directors decided to discontinue the sale of the 16-oz. size to the ordinary public, keeping that size only for caterers and the Service canteens, etc. This had the effect of releasing more material for the production of smaller sizes, particularly the 4-oz., which seems to have caused considerable satisfaction, especially among those of small means who do not wish to hoard 16-oz. bottles. I indicated to you at the last meeting the steps we have taken to distribute Bovril on a quota system so as to get a fair and equitable distribution throughout the trade. During the year under review this system has operated with evident satisfaction to our customers.

In the foreign rail market, Argentine rail stocks, although neglected, remained quietly steady after their recent decline. Some enquiry for Leopoldina and Central Uruguay senior stocks failed to affect quotations to any extent.

Occasional selling, but primarily absence of support, led to some irregularity in the industrial market. Brewery shares suffered a general decline in prices, although actual losses were relatively insignificant. In a quiet tobacco group, Imps improved ½ on further consideration of the chairman's statement. Losses ranging from a few pence to 1s. 3d. were general in the motor and aircraft section. The largest losses were suffered by Albion Motors, Raleigh Cycle Holdings and J. Lucas. An exception to the trend was Rover, with a gain of 1s. Dorman Long were prominent in the heavy industrial section with a small advance on dividend prospects, but changes were generally downward. Shipping shares were distinctly dull on consideration of recent results, Cunard and P & O deferred losing 1s. and 2s., respectively, among smaller declines for other issues. Although very small losses in textiles were the rule, Courtaulds were a prominent exception, losing 9d. The recent spate of improved stores trading results had little effect on stores issues, Barker's and Harrods actually weakening on the higher earnings. Elsewhere, Portuguese utilities were marked down slightly on the Portuguese Government's suggestions for the control of the industries concerned.

Budget fears reduced activity in the kaffir market on Cape account to a minimum. Actual changes throughout the market were restricted, apart from an advance of 1s. 7½d. for African & European. Initial considerations of the Budget in mid-week occasioned a general improvement. Tea shares weakened on the Indian situation, losses occasionally exceeding ½. Rubber shares were neglected, but apart from a marking down of United Sua Betong by 2s. 3d., quotations were scarcely changed. In the absence of active enquiry, oil shares eased slightly. Thus, among leading issues, Anglo-Iranian and Burmah each lost ½, and Shell ½, early in the week, but later recovered, Shell advancing ½ on Wednesday.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. 20 Fixed Int.†
Feb. 18.....	4,898	3,204	96.6 136.7
" 19.....	4,840	2,974	96.6 136.7
" 22.....	6,087	3,100	96.5 136.7
" 23.....	4,482	2,859	96.2 136.6
" 24.....	4,307	2,723	95.9 136.6

July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 97.2 (Feb. 3); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22), lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

ALTHOUGH the initial reverses in Tunis led to some uncertainty and dullness on Wall Street, the volume of selling and profit taking was at no time sufficient to affect prices to any considerable extent. Immediately before the holiday, however, the market, under the influence of support for rail and steel issues, rallied strongly. Continued buying at the reopening on Tuesday raised the prices of several leading steel rubber and industrial stocks to their high levels in the past two years, although profit taking was at no time entirely absent.

STANDARD STATISTICS INDICES (1935-36=100)

	1943	1942	1941	1940	1939	1938	1937	1936	1935
Low Jan. 6									
High Feb. 10									
347 Industrials.....	81.1	87.4	85.6	87.4	88.8	88.8	88.8	88.8	88.8
32 Rails.....	72.6	76.0	75.8	76.0	76.0	76.0	76.0	76.0	76.0
40 Utilities.....	67.9	71.9	71.1	71.9	74.4	74.4	74.4	74.4	74.4
419 Stocks.....	78.5	84.3	82.7	84.3	85.4	85.4	85.4	85.4	85.4
Av. yield %.....	5.36	5.00	5.10	5.00	4.91	4.91	4.91	4.91	4.91

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Feb. 11	Feb. 12	Feb. 13	Feb. 15	Feb. 16	Feb. 17
107.7	(a)	108.1	109.0	108.7	108.4

1943: High, 109.0; Feb. 15; Low, 99.6; Jan. 2. (a) Market Closed.

Total share dealings: Feb. 18, 1,040,000; Feb. 19, 897,000; Feb. 20, 620,000; Feb. 22, Market Closed; Feb. 23, 1,427,000; Feb. 24, 1,680,000.

* Two-hour session only.

Capital Issues

Week ending February 27, 1943	Nominal Capital	Conversions	New Money
To Shareholders only	3,000,000	3,030,000	3,265,000
By Permission to Deal	2,969,018		

Particulars of Government issues appear on page 28. Including Conversions Excluded

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign
1943.....	185,065,476	787,600	27.4
1942.....	186,959,608	178,320	27.4

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	181,329,317	478,595	4,065,111
1942.....	186,071,079	82,029	1,011,222

† Includes Government issues to Feb. 16, 1943, and above figures include all new capital in which permission to deal has been granted.

Finance

GOVERNMENT RETURNS

For the week ended Feb. 20, 1943, total ordinary revenue was £78,186,000, against ordinary expenditure of £126,325,000, and issues to sinking funds of £20,000. Thus, including sinking fund allocations of £10,906,904, the deficit accrued since April 1st is £2,536,590,000 against £2,412,245,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1, 1941 to Feb. 1942	April 1, 1942 to Feb. 1943	Week ended Feb. 21, 1942	Week ended Feb. 20, 1943
ORDINARY REVENUE					
Income Tax.....	913,000	643,398	785,602	38,585	51,722
Sur-tax.....	78,000	62,167	57,599	3,050	3,180
Estate, etc., Duties.....	90,000	79,096	82,861	1,800	2,852
Stamps.....	15,000	12,163	12,030	1,050	400
N.D.C.....	425,000	18,956	25,119	370	820
E.P.T.....	219,424	303,224	4,640	6,660	
Other Ind. Rev.	1,000	657	780	130	140
Total Ind. Rev.	1522000	1035861	1268215	49,625	65,774
Customs.....	438,295	327,780	407,096	10,096	8,692
Excise.....	366,705	294,100	379,000	5,400	5,800
Total Customs & Excise.....	805,000	621,880	786,096	13,496	12,492
Motor Duties.....	34,000	37,003	27,227	...	...
Canadian Govt. Contribution.....	225,000	...	224,719	...	...
P.O. (Net Receipts).....	10,000	13,050	11,750	150	Dr. 600
Wireless Licences.....	4,300	...	3,830	...	...
Crown Lands.....	800	...	870	...	...
Receipts from Sundry Loans.....	5,000	3,078	3,315	...	...
Miscellaneous Receipts.....	21,000	73,431	84,461	1,875	520
Total Ord. Rev.	2627100	1785132	2410483	65,146	78,186
SELF-BALANCING P.O. & Broadcasting.....	102,523	90,650	92,750	2,150	2,350
Total.....	2729623	1875782	2503233	67,296	80,536

ISSUES OUT OF THE EXCHEQUER TO MEET PAYMENTS

Expenditure	Estimate, 1942-43	April 1, 1941 to Feb. 1942	April 1, 1942 to Feb. 1943	Week ended Feb. 21, 1942	Week ended Feb. 20, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	240,280	287,738	12,481	17,390
Payments to N. Ireland.....	9,500	6,988	6,962	...	...
Other Cons. Fund Services.....	7,800	7,497	7,106	95	35
Total.....	342,300	254,765	301,806	12,576	17,425
Supply Services.....	535,320	393,356	463,436	86,624	108,900
Total Ord. Exp.	569,520	418,821	493,616	99,200	126,325
SELF-BALANCING P.O. & Broadcasting.....	102,523	90,650	92,750	2,150	2,350
Total.....	579,802	427,893	502,891	101,350	128,675

After decreasing Exchequer balances by £199,528 to £2,761,286, the other operations for the week (no longer shown separately) raised the gross National Debt by £48,210,375 to £16,595 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Feb. 19th and Feb. 25th. (Figures in brackets are par of exchange.)

United States. \$ (4-88½) 4-02½-03½; mail transfers 4-02-03½.	Canada. \$ (4-88½) 4-43-47; mail transfers 4-43-47.	Switzerland. Francs (25-22½) 17-30-40.	Sweden. Krona (18-169) 17-40-95; bank notes at Bank of England, 17-40 kr.	Argentina. Peso (11-46) 16-95½-17-13; mail transfers 16-95½-17-15.	British West India. Florin (12-11) 7-58-62; mail transfers 7-58-64.	Portugal. Escudos (110) 99-100-20; mail transfers 99-80-100-30.	Panama. Colon (100-04) 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 40-50 (Official rate);

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	200
Overseas Trade Guarantees.....	50
	250

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Feb. 21	905-0	Not available		
Nov. 27	1030-0	287.1 11-0 888-5		3932.2
Dec. 28	1040-0	Not available		
Dec. 5	1045-0	Not available		
" 12	1045-0	"		
" 19	1045-0	"		
" 26	1045-0	"		
" 31	2,833-2	161.6 67.7 966-5		4029.0
1943				
Jan. 9	1045-0	Not available		
" 16	1040-0	"		
" 23	1030-0	"		
" 30	1020-0	1770.8 231.7 24.0 980-5		4027.0
Feb. 6	1010-0	Not available		
" 13	1000-0	"		
" 20	990-0	"		

TREASURY BILLS

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment %	Per Cent Allotted Min. Rate
1942					
Feb. 20	75-0	153.7	75-0	20.0	52.2
Nov. 27	80-0	169-0	80-0	20.0	1.44
Dec. 4	75-0	158-9	75-0	20.0	1.27
" 11	75-0	144.7	75-0	20.0	1.49
" 18	75-0	137.4	75-0	20.0	1.64
" 24	75-0	144.8	75-0	20.0	1.25
" 31	75-0	143.5	75-0	20.0	2.05
1943					
Jan. 8	75-0	133.9	75-0	20.0	2.11
" 15	75-0	140.0	75-0	20.0	1.66
" 22	75-0	148.2	75-0	20.0	1.66
" 29	75-0	161.0	75-0	19.0	11.57
Feb. 5	75-0	158.7	75-0	19.0	11.80
" 12	75-0	141.6	75-0	19.0	11.85
" 19	75-0	152.7	75-0	19.0	11.93

On Feb. 19th applications at £99 15s. 1d. per cent for bills to be paid for on Monday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 32 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. 2d. for bills to be paid for on Tuesday were accepted in full. 75 millions of Treasury Bills are being offered on Feb. 26th. For the week ending Feb. 27th, the banks will be asked for Treasury deposits to the maximum amount of £20 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Jan. 12.....	5,444	4,006	15,308	9,719
" 19.....	6,322	3,151	9,275	6,105
" 26.....	5,615	2,595	9,213	10,145
Feb. 2.....	6,133	2,230	7,717	8,972
" 9.....	5,745	2,278	6,200	8,586
" 16.....	5,753	2,040	12,138	7,533
" 23.....	...	...	8,700	6,716
Totals to date.....	717,917	538,306	1,029,022	80,174

* 169 weeks. † 112 weeks. ‡ 13 weeks. Including series 1949-51. ¶ Including all Series. Interest free loan received by the Treasury up to Feb. 23rd amounted to a total value of £54,801,685. Up to Jan. 30th, principal of Savings Certificates to the amount of £34,272,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Feb. 19th and Feb. 25th:

Egypt. Piastres (97½) 97½-100; mail transfers 97½-100.	India. Rupee (18d. per rupee) 17½-18½.	Belgian Congo. Francs 176½-177.	China. National \$ 2½-3½.
--	--	---------------------------------	---------------------------

Special Accounts are in force for Chile, 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 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Feb. 19th and Feb. 25th:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

FEBRUARY 24, 1943

ISSUE DEPARTMENT

Notes Issued:			
In Circulation.....	917,446,871	Govt. Debt.....	11,015,100
In Bankg. Department.....	32,794,847	Other Govt. Securities.....	938,233,125
		Other Secs.....	738,888
		Silver Coin.....	12,907
		Amt. of Fid. Issue.....	950,000,000
		Gold Coin & Bullion (at 168s. per oz. fine).....	241,718
			950,241,718

BANKING DEPARTMENT

Props. Capital.....	14,5
---------------------	------

PROVINCIAL BANK CLEARINGS

(£ thousands)

	Week ended	Previous week	Previous week
	Feb. 21, 1943	Feb. 14, 1943	Feb. 7, 1943
Working days	6	6	6
Birmingham	2,360	2,047	2,196
Bradford	2,086	1,156	17,821
Bristol	2,507	661	17,528
Hull	751	492	6,490
Leeds	794	1,006	10,810
Leicester	870	795	7,195
Liverpool	4,092	3,853	55,799
Manchester	12,479	11,263	99,137
Newcastle	1,631	1,460	12,635
Nottingham	419	600	4,117
Sheffield	863	1,124	4,476
Southampton	109	120	972
12 Towns	28,961	24,995	212,741
Dublin*	6,693	6,772	51,211

* Feb. 14, 1942, and Feb. 13, 1943.

OVERSEAS BANK RETURNS

BANK OF CANADA

Million Can. \$

	Jan. 28, 1942	Jan. 15, 1943	Jan. 2, 1943
ASSETS			
Reserve: Gold	274.7	0.4	0.3
Securities	451.7	1,005.5	949.3
LIABILITIES			
Note circulation	477.2	541.1	640.1
Deposits: Dom. Govt.	40.5	58.3	24.2
Chartered banks	189.6	258.5	228.9

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

U.S. FEDERAL RESERVE

(Million \$'s)

	Feb. 19, 1943	Feb. 4, 1943	Feb. 11, 1943	Feb. 18, 1943
12 U.S.F.R. Banks				
Gold certificates on hand and due from Treasury	20,503	20,464	20,445	20,442
Total reserves	20,869	20,806	20,801	20,877
Total cash resources	2,250	5,475	5,719	5,795
Total bills and notes	2,262	5,498	5,746	5,818
Total resources	24,417	27,956	28,025	28,567
LIABILITIES				
F.R. notes in circulation	8,438	12,302	12,597	12,429
Excess int. bank res.	3,460	1,700	1,640	1,990
Mr. bank res. dep.	13,098	12,942	12,749	15,093
Govt. deposits	264	49	280	188
Total deposits	14,523	14,146	14,240	14,440
Total liabilities	24,417	27,956	28,025	28,567
Reserve ratio	90.7%	79.0%	78.4%	77.7%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,712	22,665	22,648	22,642
Treasury & bank currency	3,264	3,806	3,885	3,915
LIABILITIES				
Money in circulation	11,339	15,666	15,803	15,845
Treasury cash and dep.	2,445	2,249	2,449	2,409

BANK OF PORTUGAL

Million escudos

	Oct. 15, 1941	Sept. 16, 1942	Sept. 23, 1942	Sept. 30, 1942
ASSETS				
Gold	1308.6	1376.4	1376.4	1380.4
Balances abroad	1596.2	2288.1	9293.4	2295.3
Discounts	332.4	254.5	253.5	252.4
Securities	329.4	354.8	354.8	354.8
LIABILITIES				
Notes in circulation	3665.6	64795.1	4822.2	24944.0
Deposits: Government	492.8	1621.2	1625.6	1671.8
Bankers	1938.6	3858.4	4003.5	5394.3
Others	235.8	362.7	379.3	418.0
Foreign commitments	237.2	235.2	235.4	235.4

RESERVE BANK OF INDIA

Million rupees

	Feb. 15, 1943	Jan. 22, 1943	Jan. 29, 1943	Feb. 5, 1943	Feb. 12, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	302	157	147	126	842
Balances abroad	364	691	852	831	831
Sterling securities	2,686	3,558	3,558	3,678	3,758
Govt. deposits	415	1,894	1,894	1,894	1,844
Investments	151	69	64	66	66
LIABILITIES					
Notes in circ.: India	3,484	5,907	5,932	6,022	6,097
Burma	238	...	...	383	340
Deposits: Govt.	101	215	401	450	496
Bankers	425	515	445	450	450
Reserve ratio	81.4%	66.1%	66.2%	67.1%	67.8%

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

	Dec. 31, 1941	Oct. 31, 1942	Nov. 30, 1942	Dec. 31, 1942
ASSETS				
Gold in bars	36.2	62.9	65.4	65.4
Cash	41.5	34.8	33.4	32.8
Sight funds	16.0	15.7	15.9	16.3
Commercial bills	110.4	112.2	112.5	114.4
Treasury bills	31.8	30.3	30.2	30.6
Time funds at interest	21.0	21.0	142.7	145.0
Sundry bills and investments	224.1	200.9	201.7	198.6
LIABILITIES				
Deposits: Amenity	152.7	152.7	152.7	152.7
German	76.3	76.3	76.3	76.3
Central Banks	25.4	15.5	16.3	16.1
Other	2.8	4.4	3.9	1.6
Gold	29.0	33.7	35.4	35.4

BRITISH WHOLESALE PRICES

	Feb. 16, 1943	Feb. 23, 1943	Feb. 16, 1943	Feb. 23, 1943	Feb. 16, 1943	Feb. 23, 1943
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, 38½ in.	s. d.	s. d.	6-ton loads and upwards per ton
No. 1 N.Mt. 496 lb. f.o.b. St. J.	39 3	39 3	52 x 50, 22's & 16's	51 0	51 0	s. d.
Eng. Gaz. av. per cwt. (e)	16 9	16 11	Drill, 30 in., 80 x 46,			51 0
Flour per 280 lb.			12's & 10's	73 10	73 10	
Straights d/d London	38 3	38 3	FLAX (per ton)—	£ s.	£ s.	CHEMICALS—
Barley Eng. Gaz., av. per cwt. (e)	34 7	34 7	Livonian ZK	Nom.	Nom.	Acid, Oxalic net. per ton
Oats (e)	15 11	16 1	Pernau HD	Nom.	Nom.	60/0/0 60/0/0
Maize, La Plata, 480 lb., f.o.b.	13 10½	13 10½	HEMP (per ton)—Manilla, spot			65/0/0 65/0/0
MEAT—Beef, per 8 lb.—			J2	Nom.	Nom.	s. d.
English long sides	5 4	5 4	JUTE (per ton)—			4 4
Imported hinds	6 7	6 7	Daisiee 2/3 c. and f. Dundee	38/0/0	39/0/0	10/0/6 10/0/6
Mutton, per 8 lb.—English	5 2	5 2	Common 8 lb. cops. (per spindle)	4 10½	4 10½	10/14/0 10/14/0
Imported	8 0½	8 0½	10½/40 Hessians, per yd.	0 6-50	0 6-50	18/15/0 18/15/0
Pork, English, per 8 lb.	8 0	8 0	8/40 Hessians, per yd.	0 5-00	0 5-00	11/0/0 11/0/0
BACON—(per cwt.)—Wilts, cut side	142 0	142 0	10/40 Calcutta Hessians, Apr.			5/7/6 5/7/6
HAMS—(per cwt.)—Green	147 0	147 0	May, f.o.b. Calcutta, 100 yds.	35 6	35 3	COPRA (per ton)—S.D. Straits
OTHER FOODS			7½/40	27 0	26 9	c.i.f. Non.
BUTTER (per cwt.)—All Grades.			SISAL (per ton)—African, spot	£ s.	£ s.	Nom.
First hand	151 4	151 4	No. 1 delivered	34 0	34 0	s. d.
CHEESE (per cwt.)—			WOOL (per lb.)—			0 7½ 0 7½
Home Produced	99 2	99 2	Lincoln wethers, washed	d.	d.	0 9½ 0 9½
Imported	99 2	99 2	Selected blackface, greasy	14	14	0 6½ 0 6½
COCONA (per cwt.)—			Australian scrd. fleece 70's	37	37	0 8½ 0 8½
Accra, g.f.	45 0	45 0	Cape scrd. average snow white	29½	29½	
Grenada fine	81 0	81 0	N.Z. scrd. 2nd pieces, 50-56's	24	24	
COFFEE (per cwt.)—			Top			
Santos, sup. c. & f.	Nom.	Nom.	64's warp	45	45	1 9 1 9
Costa Rica, medium to good	190 0	190 0	56's super carded	39	39	4 3 4 3
	200 0	200 0	48's super carded	31	31	2 4 2 4
EGGS (per 120)—English	14 9	14 9	44's prepared	29½	29½	0 7½ 0 7½
LARD (per cwt.)—Imported	64 0	64 0				1 2 1 2
POTATOES (per cwt.)—			MINERALS			2 3 2 3
English	5 0	5 0	COAL (per ton)—	s. d.	s. d.	2 9 2 9
	5 6	5 6	Welsh, best Admiralty	37 9	37 9	PETROLEUM PRODUCTS (per gal.)—
SUGAR (per cwt.)—			Durham, best gas, f.o.b. Tyne	31 7½	31 7½	Motor Spirit, England & Wales
Centrifugals, 96% prpt. shipm.						1 10 1 10
c.i.f. U.K./Cont.			IRON AND STEEL (per ton)—			(b) Kerosene, Burning Oil
REFINED LONDON—			Pig, Cleveland No. 3, d/d	128 0	128 0	1 1 1 1
Granulated, 2 cwt. bags	49 10	49 10	Bars, Middlesbrough	312 6	312 6	(b) Automotive gas oil, in bulk,
Granulated, 2 cwt. bags, domestic			Steel, rails, heavy	290 6	290 6	ex road tank wagons
consumption	21 7	21 7	Timplates (home, i.e. 14 x 20)	29 9	29 9	1 7½ 1 7½
West India Crystallised	50 10	50 10	NON-FERROUS METALS (per ton)—			Fuel oil, in bulk, England and
TOBACCO (per lb.)—			Copper (e)—Electrolytic	62/0/0	62/0/0	Wales—
Indian stemmed and unstemmed	0 8	0 8	Tin—Standard cash	275/0/0	275/0/0	Furnace
Rhodesian, stemmed and un-	2 6	2 6	Lead (d)—Soft, foreign, cash	25/15/0	25/15/0	0 10½ 0 10½
stemmed	3 6	3 6	Spelter (d)—G.O.B., spot	110/0/0	110/0/0	0 11½ 0 11½
			Aluminium, ingots and bars	190/0/0	190/0/0	29 6 29 6
TEXTILES			Nickel, home delivery	195/0/0	195/0/0	33 0 33 0
COTTON (per lb.)—			Antimony, English, 99%	120/0/0	120/0/0	ROBIN (per ton)—American
Raw, Mid-American	7 80	7 80	Wolfram, Empire	215/0	215/0	29 6 29 6
Giza, F.G.F.	10 55	10 55	Platinum, refined	50/0/0	50/0/0	33 0 33 0
Yarns, 36's Ring Beams	18 09	18 09	Quicksilver	68/10/0	68/10/0	RUBBER (per lb.)—
42's Cop Weft	17 80	17 80		69/15/0	69/15/0	St. ribbed smoked sheet
60's Twist (Egyptian)	26 50	26 50				1 11 1 11
Cloth, per 100 yards—	s. d.	s. d.				205/0/0 205/0/0
31 in. Printer, 64 x 64,						31/0/0 31/0/0
36's & 42's	35 11	35 11				SHELLAC (per ton)—TN Orange
Cambrie Shirting, 32 in.						205/0/0 205/0/0
72 x 60, 24's & 24's	48 9	47 2				TALLOW (per ton)—London Town
						31/0/0 31/0/0
						VEGETABLE OILS (per ton net)—
						Linseed, raw
						46/10/0 46/10/0
						Rape, crude
						48/5/0 48/5/0
						Cotton-seed, crude
						39/12/6 39/12/6
						Coconut, crude
						36/12/6 36/12/6
						Palm
						29/15/0 29/15/0
						Oil Cakes, Linseed, Indian, ex-mill
						11/0/0 11/0/0
						Oils, Bombay, Linseed—
						27/10/0 27/10/0
						24/25/0 24/25/0
						Calcutta
		</				

COMMODITY AND INDUSTRY NEWS

Non-Wool Cloth Quota.—The present quota period for woven non-wool cloth ends on February 28th. Control over the production and supply of cloth is now exercised by other means, and the Board of Trade has decided not to retain quota restrictions after the present ones expire. Utility cloths are already quota free.

Printing Ink Concentration.—The Board of Trade is prepared to grant nucleus certificates to firms in the printing ink trade which inform the Board before March 22nd that they intend to carry out voluntary concentration arrangements as already put forward by the Concentration Committee of the industry, and approved by the Ministry of Labour and other Government Departments. Firms in the industry have, accordingly, received from the Committee a Board of Trade memorandum on the position, and this is to be considered by a full meeting of firms. The memorandum makes it clear that the nucleus arrangements must show a release of one-third of the labour employed in the participating firms, as returned in May, 1942, but that, thereafter, the labour of the firms in the nucleus scheme will be protected, whereas the labour of firms not participating in the scheme cannot be protected.

Canned Vegetables Control.—The Minister of Food has made the Vegetables and Vegetable Products (Canning, Bottling and Freezing) (Control and Maximum Prices) Order, 1943, which came into force on February 21st and replaces the 1942 Order, which is revoked. The only vegetables which were canned in any quantity during 1942 were fresh peas, broad beans and spinach. New prices have been fixed for these varieties, but the wholesale and retail prices of all others are the same as in the 1942 Order. No changes have been made in the terms and conditions of sale. Although the sale of canned vegetables other than baked beans and dried beans in brine by retail is still prohibited, distribution to wholesalers and retailers will continue in readiness for release to the public. Canned peas, canned beans in tomato sauce and canned tomatoes will continue to be on points, but no other varieties are being included in the points rationing scheme.

World Cotton Supply.—It is estimated by the New York Cotton Exchange Service that the total world supply of American cotton available for the present season is 23,765,000 bales, compared with 23,425,000 bales last season. World consumption is

tentatively estimated at 12,760,000 bales. Last season it was 12,210,000 bales. Thus the carry-over at the end of this season may be about eleven million bales, against 11,115,000 at July 31, 1942.

Export Control.—The Board of Trade have made the Export of Goods (Control) (No. 2) Order (SR and O 1943, No. 217), which comes into force on March 1st. Under the terms of this Order, export control is extended to cover artificial silk (rayon) staple fibre yarns, thread and cord.

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

	Feb. 18, 1943	Feb. 19, 1943	Feb. 22, 1943	Feb. 23, 1943	Feb. 24, 1943
Crops	115.7	115.8	115.6	115.7	115.7
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	141.4	141.4	141.3	141.4	141.4
Crops	Mar. 31, 1937*	Aug. 31, 1939	Feb. 24, 1942	Jan. 25, 1943	Feb. 17, 1943
Raw materials	147.9	92.2	116.4	119.5	115.7
Complete Index	207.3	122.9	172.7	172.7	172.7
	175.1	106.4	141.8	143.7	141.4

* Highest level reached during 1932-37 recovery.

AMERICAN WHOLESALE PRICES

	Feb. 16, 1943	Feb. 23, 1943		Feb. 16, 1943	Feb. 23, 1943		Feb. 16, 1943	Feb. 23, 1943
GRAINS (per bushel)—	Cents	Cents	MISCELLANEOUS (per lb.)—	Cents	Cents	MISCELLANEOUS (per lb.)—cont.	Cents	Cents
Wheat, Chicago, May	141 1/2	142 1/2	Cocoa, N.Y., Acra, Dec.	...	...	Rubber, N.Y., smkd. sheet spot	...	...
Winnipeg, May	92	91 1/2	Coffee, N.Y., cash—	...	...	" " Jan.-Mar.	...	...
Maize, Chicago, May	99 1/2	100	Rio, N.Y.	9 1/2	9 1/2	Sugar, N.Y., Cuban Cents, 96 deg.	...	...
Oats, Chicago, May	58 1/2	59 1/2	Santos, No. 4	13 1/2	13 1/2	spot	3-74 1/2	3-74
Rye, Chicago, May	83 1/2	84 1/2	Cotton, N.Y., Am. mid., spot	21-62	22-01	Sugar, N.Y., 96 deg., No. 4, f.o.b.	...	...
Barley, Winnipeg, May	64 1/2	64 1/2	Am. mid., Mar.	20-00	20-45	Cuba, Mar.	...	...
METALS (per lb.)—			Cotton Oil, N.Y., Mar.	14-10	14-10	Moody's Index of staple com-	246-2	246-9
Copper, Connecticut	12-00	12-00	Lard, Chicago, Mar.	13-80	13-80	modities, Dec. 31, 1931-100..	...	...
Tin, N.Y., Straits, spot	52-00	52-00	Petroleum, Mid-cont. crude, per	...	...			
Lead, N.Y., spot	6-50	6-50	barrel	117	117			
Spelter, East St. Louis, spot	8-25	8-25						

† Trading suspended.

† Nominal.

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET
New York Agency: 65, BROADWAY, NEW YORK CITY

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)

Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 8,000 Agencies at Post Offices in Australia.

As at 30th June, 1942.—General Bank Balances ... £181,729,589
Savings Bank Balances ... 164,619,569
Note Issue Department ... 111,960,542
Rural Credits Department ... 2,421,174
Other items ... 20,880,871

£481,101,745

A. H. LEWIS, Manager.
London Office: 8 OLD JEWRY, E.C.2.
Also at AUSTRALIA HOUSE, STRAND, W.C.

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mandalay	Mombasa	British E.A.
Bombay	Nuwara	Nairobi	Nairobi	
Calcutta	Delhi	Nakuru	Entebbe	Uganda
Canton	Kandy	Rangoon	Jinja	
Chittagong	Karachi	Tuticorin	Kampala	
Dar-es-salaam	Lahore	Zanzibar		
Mwanza				
Tanga				
				Tanganyika Territory

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION

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

AUTHORISED CAPITAL - £50,000,000
ISSUED AND FULLY PAID-UP - £20,000,000
RESERVE FUNDS - £8,500,000
STERLING - £2,500,000
HONGKONG CURRENCY - \$10,000,000
RESERVE LIABILITY OF SHAREHOLDERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9, Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5194 REGISTERED AS A NEWSPAPER

MARCH 13, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

1s. 6d.

Mr Speaker - - - - - 317

Piecemeal Planning - - - - - 318

Middle East Supplies - - - - - 319

NOTES OF THE WEEK - - - - - 321

Stabilisation in the East?; Time in Tunisia; Marshal Stalin; Agenda for Peace; The Political Foundation; The Russian Reaction; Trusteeship; A Tragic Lesson; Wings for Victory; Soldier into Civilian; The New Finnish Cabinet; Manpower Reserve; Buoyant Revenue; Engineers' Wages; The Railway Case; Freedom of Martinique; Spanish Scare; Shorter Note.

AMERICAN SURVEY - - - - - 326

Last Testament; Action on Manpower?; Kitchen Crisis; In the Lion's Den; Ruml Legislation.

THE WORLD OVERSEAS - - - - - 327

L'Etat Français; North American Lumber; Portuguese Banking; Russia at War.

"L'Etat Français" - - - - - 327

Post-war Currency Plans - - - - - 330

Collection of Income-Tax - - - - - 331

FINANCE AND BANKING - - - - - 332

Enough Credit—and to Spare; February Clearing Bank Returns; Priority Purchase Certificates; Stirrings Among Building Societies; India's Sterling Balances; Australian Bank Regulations.

INVESTMENT - - - - - 334

Specialised Buying; Commission Rebates; London Electricity Scheme; Canadian Pacific Progress; The Building Societies Prepare; Courtaulds' Accounts; Union Cinemas; BTH Profits; Inveresk Paper Improvement; Borax Results; Canadian Eagle Accounts.

INDUSTRY AND TRADE - - - - - 338

Road Haulage Scheme; London Electricity Board; Courting the Chancellor; Shipbuilding; Coal Output in February; Coal Output Bonus; Retail Trade; Food Ration Changes; Workers' Canteens.

COMPANY MEETINGS - - - - - 340

RECORDS AND STATISTICS - - - - - 344

Mr Speaker

ON Wednesday last week, the proceedings of the House of Commons were rudely interrupted by the death of the Speaker, Captain FitzRoy. Until the Commons presented Colonel Clifton Brown as their new choice to the King's Commissioners in the Upper House, the proceedings of the Lower House stood in abeyance. There has been some criticism of a state of affairs which permitted the business of Government to be interrupted at a crucial time by an ancient ritual.

Circumstances were indeed unusual. It is a century and a half since a Speaker died in harness. Captain FitzRoy's sudden and lamentable death, in the middle of a war in whose conduct his skill in the office he had occupied for nearly fifteen years was a powerful aid, was a blow that had not been anticipated. But it is nonsense to suggest that the war effort was in any way adversely affected by the dignified process which brought the Deputy Speaker and Chairman of Committees into the Speaker's Chair with the utmost dispatch. All that can be said is that the possible area of choice for a new Speaker was somewhat lessened by the suddenness and unexpectedness of the event. But Colonel Clifton Brown owes his election, not to the unusual circumstances in which it took place, but to his own record and qualities. The Speaker probably occupies a more important posi-

tion to-day than even his predecessors have done. From being first the creature of the Crown and then the creature of the Government, the Speaker has become the friend and protector of Members. His concern is, on the one hand, for the Commons as a body and, on the other, for Members as individuals, never for parties or the executive power. This role is doubly important when the checks and balances of normal parliamentary procedure on party lines have been removed by the overriding emergency, and when the Government is vested with vast war powers which Members can question or criticise, but not diminish.

The only dissentient voice that was raised in the Commons on Tuesday, when the new Speaker was chosen by acclamation, was in fact raised, not against Colonel Clifton Brown, but against a situation in which the deliberations of Parliament tend to be dominated by the regiment of Ministers, Secretaries and ex-Ministers who make up so large a part of the present House and regard their right to speak, and speak at length, as a prior charge upon Parliament's time. This had exercised the mind of Captain FitzRoy who pleaded on the occasion of his third election in 1931 for briefer speeches, especially from Members of Ministerial status. That the situation has since become worse, not better, is the almost inevitable

consequence of a wartime position in which immense and manifold acts are undertaken by the Government in the presence of a Parliament in which the party alignment and its cut and thrust have become for a time largely formal. Captain Cunningham-Reid, whose intervention was typically maladroit, can at least rest assured that the new Speaker, judged by the promise of his own earlier

work in the chair, and by the performance of his former chief, will do everything that lies in the power of a Speaker to temper the wind to the shorn lamb—and to preserve intact the respect for individual and minority opinions upon which the rehabilitation of the Parliamentary process after the war will depend. Mr Speaker has the future of Parliament, as well as its past and present, in his keeping.

Piecemeal Planning

THE White Paper on Training for the Building Industry was analysed in *The Economist* last week, when some attempt was made to work out its quantitative implications. Regarded by itself, the scheme commands admiration. It is a bold attempt to bring a measure of stability to a notoriously precarious industry and in doing so to pave the way for the most visible and tangible aspect of Reconstruction. Nevertheless, some of the elements of the plan require more extensive scrutiny in the context of major economic policy. While acknowledging the imaginative breadth of the plan and paying tribute to the vision of a rebuilt Britain that it conjures up, it is necessary to inquire more closely into the way in which this plan fits into the wider framework of policy for the post-war period. As was pointed out in *The Economist* last week, the programme must be related both to likely building needs and to other claims on the total resources available for investment and consumption. Is the claim that has been so precisely staked out for building a reasonable one in the schedule of reconstruction priorities? Or will its acceptance, as it has been set out, prejudice the necessary claims of other items on the national stock?

From this point of view, the policy sketched in the White Paper, after its quantitative implications have been measured, raises two major questions. The first relates to the magnitude of the programme. It was calculated last week that the target figure of 1,250,000 persons employed implies an annual production of about £600 millions, valued at present prices; and that, if this total is distributed between the different categories of building work in roughly the pre-war proportions, it will include from 440,000 to 500,000 new dwelling houses a year, compared with an average of about 200,000 a year in the inter-war year and the record figure of 370,000 in 1936/7. The plan calls, in short, for a rate of building, extending over ten years, very substantially higher than has ever before been experienced.

Will such a high rate of building be required? There is, of course, the air-raid damage to be made good. But the number of houses rendered uninhabitable—not all of them requiring complete rebuilding—is not more than about 250,000, which is only about half the planned annual output. Nor can there be expected to be as large a backlog as in the last war, when the population was still increasing and there had been very low building for several pre-war years. After the first year or two of the new peace, the industry will be back upon a peace-time basis. Will there, in such conditions, be a demand for 500,000 houses a year? A desire and a need there will certainly be; it will be impossible to say that houses are not wanted until every inhabitant of the country is adequately housed. But a desire can be converted into a demand in only two ways—either by people spontaneously spending the requisite portion of their incomes to secure it, or by the Government footing the bill.

There are some reasons for supposing that the spontaneous post-war demand for houses will, after a brief period of repairing the ravages of war, be smaller, not larger, than before the war. The enormous pre-war demand arose from the coincidence of a number of factors. In the first place, though the increase in the total population had almost ceased, the number of family units (i.e., in the main, married couples) was still increasing; this will not be true, or not true in nearly the same measure, after the war. These increasingly numerous

family units were in the 1930's enabled to afford new houses by an increase in their real incomes, due to the great fall in the cost of food. This also, through the double effects of an adverse change in the terms of trade and the machinations of the agrarian interest, is likely to be reversed. Thirdly, there was a great deal of building as a result of the flexibility of transport brought by the motor-car. This may or may not have reached its natural limit; but it is unlikely to be a more potent factor after the war than in the early 1930's, if only because of the restrictions which are likely to be imposed on building in rural areas.

The prospect is, then, for a smaller spontaneous demand for additional houses. There is, of course, the possibility of a spontaneous demand arising for the replacement of old houses by new. That is a possibility. But it has not arisen yet; up to the present, the demand has been for additional houses, not for replacement, as is proved by the small margin of value between an old house and a new. And any demand for replacement would be likely to be checked by a fall in the value of old houses. Anybody would prefer, other things being equal, to live in a new house than in an old house (except for "period residences"). But other things will not remain equal, and how many people will prefer to pay half as much again for a new house as for an old house with comparable accommodation?

If the rate of building is to be doubled while the spontaneous demand falls, the gap will have to be filled by a very much enlarged programme of Government-supported building. In itself, such a programme is, of course, highly desirable. Few prospects are more exciting than that of removing within a generation the blight of bricks that the nineteenth century (and part of the twentieth) spread across the country, and replacing it with homes fit for democrats. But, in effect, the Government's new plan gives this particular dream a first lien on the resources of the country. What the Government is in effect committing itself to (though it may not be aware of the fact) is that 500,000 houses a year shall take precedence over every other form of reconstruction. The question to be asked is not whether we should like to rebuild the entire country in 25 years, but whether we need houses at this rate so badly that we are prepared to put them ahead of everything else. The maintenance of this programme is likely to impose a very heavy burden on the Budget. Does it really express the wish of the people that, while no commitment is entered into on the Beveridge Plan, the available budgetary margin should be mortgaged for houses? Building at the rate of £600 millions a year would use up half or more of the gross national savings—that is, of savings and depreciation funds together. Do we really want to take so large a part of the national re-equipment in bricks and mortar, at the cost of all other forms? It has been estimated in the press that direct employment of 1,250,000 persons in the building trades means total direct and indirect employment of some 4,000,000. The calculation is probably somewhat exaggerated; but even if the right figure is 3,500,000, that is one-sixth of the total labour force. With all the other things that there are to be done, is it really right to put one man in six into building? When the time comes, of course, none of these things will be done. The commitment is one which cannot be honoured, and everyone concerned should be warned of the fact from the start.

The first major qualification that must be made to the welcome given to the plan is thus that it is too large. A ten-year plan for the building industry is an admirable and praiseworthy idea. But the figures are wrong; 900,000 builders might be much closer to what the country can support, and (when it becomes conscious of the priorities) will desire, than 1,250,000. The second major qualification relates to the flexibility of the programme. Building, it was pointed out in last week's article, is "one of the most important and flexible instruments for translating into practice any policy of full employment." The doubt is whether the use of this programme as a flexible instrument will not be inhibited by its very size. The ability to expand the subsidised portion of the building programme when depression threatens can indeed be one of the most powerful weapons in a Full Employment policy; slums and slumps can be removed by the same action. But how can employment in the building trades be expanded if it is already stabilised at the maximum? What should be one of the flexible elements is, in short, threatened with inflexibility. To avoid this, the employment target should be reduced to, say, 900,000, and this figure should be treated as an average. There is nothing to prevent, and everything to support, an offer of stabilised employment to the permanent garrison of the trade—say, to 700,000 workers; but, within the planned average employment of the industry, room must be left for a certain transient

portion, a floating population, if the general economic policy of the country is not to be fatally hampered.

The reason why this particular plan has been produced at this particular moment on this particular scale is to be found in the confluence of a band of enthusiastic planners at the Ministry of Works with the necessity to provide reassurances to the building trade unions in the matter of wartime dilution. Both motives are entirely proper—indeed, it is refreshing to find any instance in which forward-looking people are able to turn the ponderous wheels of the machinery of state even so far as to produce a White Paper. But when all these kind words have been said, it is still necessary to deplore the obvious fact—due, it should be said, not so much to any fault of the actual drafters of the plan, as to the ca'canny empiricism of their superiors in the hierarchy of government—that the planning has been done in isolation from other aspects of the economic problem and with wholly inadequate efforts to fit it into the general framework. It should be a well-known and bitterly learned truth, from the experience of wartime priorities, that if they are worked out separately and independently, the total claims will inevitably exceed the capacity and resources available. Planning for the future we must certainly have; but if the planning is to be as piecemeal as this, we shall end up by being more planned against than planning, and instead of priorities and a programme there will be frustration.

The Middle East—II

Supply Centre

IF the Governments of the Middle East had been compelled to deal unaided with their supply problems, there would certainly have been a famine in some areas last year. The influence of Britain, the United States, France and to a very much lesser extent, Russia, has been brought to bear again and again to ameliorate conditions, smooth out difficulties and encourage and guide the inexperienced efforts of the local administrations. This influence has not been exercised in a haphazard way through a variety of different agencies and missions. Since April, 1941, all questions of supply have come under the jurisdiction of the Middle Eastern Supply Centre at Cairo. Created under the pressure of wartime necessity, the Centre has developed in the course of its two years of existence into a vigorous and hopeful experiment in international economic co-operation. Turkey's dealings with the Centre are confined to various basic commodities—cereals, fertilisers and sugar—which are subject to world-wide pooling arrangements; but all the other Middle Eastern countries, as well as the Sudan,

Suadi-Arabia, Eritrea, British Somaliland and Ethiopia, carry on their foreign trade through the Centre.

Its organisation is simple. It is now a joint Anglo-American organisation, meeting under the presidency of Mr Casey, with Mr Winant, brother of the United States Ambassador to London, as Chairman of the Executive Committee and member of the Supply and Transportation Sub-Committee which deals with the Centre's local business. A Middle Eastern Supplies Committee, representing all the interests involved, gives advice and guidance from the London end. In the countries served by the Centre, contact is maintained through officials attached to the British or American diplomatic missions or, where they have been set up, through Joint Supply Committees; there are Anglo-American Supply Committees in Baghdad, Ankara and Teheran, a Joint Committee of British, Americans, French, Syrians and Lebanese for Syria and Lebanon, a number of Anglo-Egyptian Supply and Transport Committees in Egypt. Neither the Centre nor the Committees have executive



EQUITY & LAW
LIFE ASSURANCE SOCIETY
Established 1844

Wartime Service

• In view of the absence of staff on War duties it has become necessary as a temporary measure to close certain of the Society's Branch Offices.

• Arrangements have been made to ensure that the Society's policy-holders and annuitants will receive the best possible wartime service.

Head Office: 163/4, STRAND, LONDON, W.C.2. Telephone: TEMple Bar 0381
(temporarily transferred from 20, Lincoln's Inn Fields)

powers. They advise and co-ordinate. The Committees, in conjunction with their Governments, work out the country's requirements for each half year; and this list is sent to the MESC which, co-ordinating it with the requirements of other countries, sends the total supply list to London. Here it is the task of the Ministry of War Transport and the other Ministries and agencies concerned to allot supplies and transport facilities for as much of the requirements as can be met.

Two types of trade are covered. Private trade still accounts for much of the imports and exports; but since shipping space is limited, only a certain amount of private trade can be permitted, and essential goods have to be given priority. At the request of the MESC, the Middle Eastern Governments have either introduced or tightened up the system of granting import licences, and only those approved by the MESC are given shipping space. Certain commodities are too vital and in too short supply for the normal functioning of private trade. Cereals, sugar and fertilisers are bulky goods and require much shipping space. Other commodities—such as tea, quinine or oil seeds—are subject to world-wide pooling schemes under the Anglo-American Combined Boards. These supplies are handled by public agencies. The MESC makes up the requirement lists; and the shipping, storage and distribution of the pooled commodities is entrusted to the United Kingdom Commercial Corporation.

In the first year of its existence, the MESC averted the danger of famine by importing and guiding the distribution of some 600,000 tons of wheat to the Middle East. Now when better harvests have brought the region back to its old relative self-sufficiency, the activities of the MESC are a reassuring background for local government action in compelling hoarders to disgorge their supplies and encouraging the resumption of cross-frontier trading. The Governments have a hard time in these disturbed days to persuade their peoples that the export of surplus foodstuffs to deficiency areas is good policy. With the MESC behind them, they know that they will not be left with any inconvenient shortages themselves. This indirect contribution towards stability is probably one of the MESC's most important contributions to the return to orderly distribution in the Middle East.

Even if the work of the MESC were simply confined to this controlling and directing of supplies and transport, the organisation that has been built up could with profit be maintained after the war to integrate the economic life of the whole region for later years. Its fate would depend upon the shape of the peace settlement. If freedom from want becomes the goal of international collaboration, and the lessons of wartime administration are learnt, the MESC and its dependent Committees fit into the pattern of world-wide economic collaboration foreshadowed by Lend-Lease, the Combined Boards and Britain's experiments in rationing. The common factor in all these systems is the basing of priority upon need and the recognition that human resources can be broadly planned to ensure that needs are satisfied before luxuries and extras. Wartime experience has shown that the pre-war type of commodity control, designed primarily to maintain prices, if necessary by restricting output, could be displaced by the type of control now exercised by the Combined Boards. The basis of this control is an established programme of need. The Boards are responsible for expanding output up to the limit of the programme and distributing it on a priority basis. If such a system of world-wide commodity control were adopted after the war to plan production, not for war needs, but for increasing human consumption, the various national committees and their parent MESC might continue their work of estimating six-monthly lists of basic necessities—grain, sugar, oil—and of securing their acceptance at the general pool. In this way, the people of the Middle East might secure minimum standards of consumption at guaranteed low prices—a minimum "freedom from want," while consumption above the average could continue to be catered for through the ordinary channels of private trade.

Such a development does not follow inevitably from the work of the MESC. Its present hold upon the Middle

Eastern Governments springs from shortage—shortage of shipping and shortage of supplies. When in the post-war years these conditions are relaxed, unless there is some United Nations' Ten or Twenty Years Plan for raising up the submerged peoples through a guaranteed minimum diet or some such standard, much of the work of the MESC will inevitably lapse. However, the apportioning of supplies and allotting of shipping space has turned out to be only one part of a much wider and more varied field of action. To save shipping by reducing bulk imports, the various states have been encouraged to increase their own food supplies. Agricultural experts, British and American, have surveyed the Middle East at the invitation of the MESC, and many of their recommendations are already embodied in functioning schemes. It was at the instance of the MESC that Egypt reduced its cotton production by a third and, concentrating only on long staple cotton, turned the rest of the land over to food growing. In Persia, three agricultural development and irrigation schemes are under way, two managed by Persians, one under British management. Another scheme in the upper reaches of the Tigris would, if introduced, give Iraq and Persia new agricultural land and spare Baghdad the danger of annual flooding. Shortage of fertilisers and agricultural machinery are the chief obstacles to sound agriculture. The MESC has arranged for the import of both. In Syria a Tractor Board under joint Control has been established from which cultivators can hire out tractors at a low cost. As a *quid pro quo* the Syrian Government is being encouraged to demand control of a percentage of the increased output.

The MESC has arranged for a number of agricultural conferences for the pooling of information, and one factor which emerges clearly from its work is the shortage of trained personnel and the lack of any facilities for agricultural education among the peasants. Apart from the Jewish Research Institute in Palestine, there are few research and training stations directly in contact with the cultivators; and although the political record of Britain in Iraq is remarkable, there are few traces of any British attempt to set the Iraqis up with good economic and technical equipment. The MESC has opened up the need for a great programme of technical education and development which could obviously best be carried out jointly by the United Nations through a centre such as the MESC. At present, there are no Russian advisers at Cairo, although Russian agriculturalists and engineers have much valuable experience to contribute from work undertaken in areas with very similar climatic conditions. Only in the sphere of pest-prevention have the Russians been brought fully into a co-operative scheme. The anti-locust organisation established in May, 1942, by the MESC has Russian, Persian, British and Indian experts working at Teheran. Another branch is at work in Saudi Arabia. The sunn pest in Iraq, Turkey, and Persia is also a concern of the MESC, and in Baghdad the Arabs have called in the services of a Jewish expert from Palestine—a fact not without political significance.

The agricultural development programme of the MESC has been accompanied by plans for the encouragement of local industries. To reduce imports and spare shipping, the MESC has made possible the starting up or extension of a number of industrial ventures—a plant for crushing oil seeds in Iraq, canning plants in Egypt, superphosphates in Palestine and Egypt, a cotton mill plant in Persia, paper production in Egypt, window glass in Palestine. The Middle East demand for dry batteries can now be met from Palestine, and the region's needs in sodium sulphate are covered locally. The development schemes tend to be centred in Palestine and Egypt because there local capital and skill are available. If a wider scheme not dependent upon immediate wartime contingencies were envisaged, it would be essential to spread the advantages over the whole region. The work of the MESC in the industrial as in the agricultural sphere has brought to light the Middle East's need for more technical training, for wider education, for bigger capital investment than any one Government can afford, and here, even if the wider hopes of a peace settlement

based on the raising of living standards are not realised, it should be possible for the MESC to continue its work after the war and act as a centre for the planned development of agriculture and industry in the whole region.

A revised MESC, representing the United Nations, could provide the capital, the machinery, the experts, the advisers, the educationalists without which there can be no speedy raising of Middle Eastern living standards, no end to the recurring crises of want, little genuine political co-operation and little hope of the area being withdrawn finally from the struggle for predominant influence between the Great Powers. The machinery, the personnel, the administrative methods for such a transforma-

tion and expansion of the MESC exist. Co-operation between the great nations and between the local Governments is a fact. But it would be simply futile to suppose that the existence of the machinery in itself is enough to secure the survival of the experiment. Only if the United Nations are resolved on their policy, will they be able to take up the implements the war has forged for their use. The MESC is one of the most outstanding—and one of the most precarious. Its great economic and social achievements depend absolutely upon the political decisions of the peace settlement. It has no more permanence than the victors choose to give it. (The first article in this series appeared on February 20th)

NOTES OF THE WEEK

Stabilisation in the East?

The position on the Russian front has again taken a new turn. By their success in re-establishing their front on the Lower and Middle Dnepr, the Germans have reduced the Russian salient pointing from Slavyansk towards Stalino and Taganrog. The German counter-attack was carried out by a concentrated force of 25 divisions, which had, according to Russian sources, been shifted from Western Europe. Kharkov was threatened from the south. A threat from the west was soon added by the German advance to Valki. The German bid for Kharkov was then countered by a Russian withdrawal from their salient pointing towards Poltava. The Russians have been faced with the difficult task of re-grouping their westward array of forces so as to be able to meet the danger to their southern flank. A new



battle of Kharkov has been going on. Up to a point the possession of Kharkov will determine which side—the Germans or the Russians—will be able to mount a large scale offensive in the south later in the year. On the Moscow front, the Russians have followed up their victory at Rzhev by the capture of Gzhatsk; but the pace of their advance here, as well as on the Lake Ilmen sector, has slowed down—it has never been comparable to the tempo in the south. Before the thaw starts in the north, too, the Russians may still be able to regain Vyazma and Orel. Apart from these two key points—and Kharkov in the south—it is not improbable that the front in the east has become relatively stable; it may be that, apart from the fighting for these

pivotal towns, no very important changes will occur before the summer campaigning season. When the German Command strikes the balance of the winter campaign it cannot avoid putting all its immense losses in territory, material and manpower on the debit side. On the credit side, it will have only the shortening of the front to about half the length it was last November.

Time in Tunisia

On the Russian front, the Germans have won a little time to strengthen their defences and to prepare for the summer. In Tunisia, they have been playing for the same stake; and it is not yet definitely established with what success. Their thrust westward towards the Algerian frontier broke down, and was followed by a fairly deep retreat. But, if the statement (made at an early stage of the fighting) that Allied losses would cause a postponement of the final offensive was not merely a *ruse de guerre*, then the foray brought Rommel and Arnim at least part of the advantage they were seeking. They were less lucky in the attack from the Mareth line against the Eighth Army. General Montgomery's artillery took a heavy toll of the panzers; the loss of 50 tanks means a lot to a force which has only a few hundreds at its disposal. But in spite of this, the Mareth line still stands between General Montgomery and Rommel; and to break through it is a much harder task than to beat back a series of sallies from it. Judgment on the latest stage of the Tunisian campaign must depend on what is considered to have been the enemy's initial intention. If it was to make a large scale diversion and to carry the fighting into Algeria, then the enemy has suffered a signal defeat. If, however, it was merely to fight a delaying action to gain time for the completion of the new mobilisation in Germany and for the strengthening of the European fortress, then Rommel may not, perhaps, in spite of local reverses, be wholly dissatisfied with the results achieved so far. His delaying operations have not failed to delay the Allies.

Marshal Stalin

The "granting of the military rank of Marshal" to Premier Stalin surpasses in importance any ordinary military appointment. The act is not only a stressing of Stalin's leading role in the strategic conduct of the war. It is also an indication of a significant trend in Russia's internal policy—the growing prestige and social importance of the

Paid by The Prudential

Last year The Prudential paid Death Claims on nearly 500,000 policies for a total of over £10,000,000.

One in three of the persons who have lost their lives in air raids on this country was insured with The Prudential.

THE PRUDENTIAL ASSURANCE COMPANY LTD.
HOLBORN BARS, LONDON, E.C.1

new officers' corps. The army pays its tribute to its supreme commander. But, by sewing on the epaulettes of a Marshal, the leader at the same time pays his tribute to the army. The fact that Stalin did not assume any military rank earlier was due to the essentially "civilian" outlook of the party set-up; and Stalin has been, and still is, the leader of the party. Some time ago, no military position could rank on equal terms with the extra-constitutional and outwardly modest post of the First Secretary of the Central Committee. Stalin's military promotion has—according to Moscow correspondents—been welcomed in military circles with the words: "Now he is one of us"—words which seem to reflect the strength of the new *esprit de corps* that has developed in the course of the war. From the point of view of the new military hierarchy, the promotion can hardly be regarded as the final definition of Stalin's military status. The Commander-in-Chief has now become "the youngest marshal" in the brilliant pleiad of old and newly promoted marshals; and it will not be surprising if in the near future some new and special military title is created to suit Stalin's altogether exceptional position *vis-à-vis* the officers' corps. Stalin continues to embody the unity of army and party; and the care which is being taken to maintain a stable balance between the two has recently been stressed by the appointment of L. M. Kaganovich to the important post of Commissar for Railways. Kaganovich was Stalin's closest associate during the period of the inner-party strife. He was Commissar for Railways before 1939. In recent years he seemed to have disappeared from Stalin's immediate entourage. His appointment signifies a certain strengthening of the older, "orthodox" party element in the councils of the Kremlin.

Agenda for Peace

The peace aims of the ordinary man are not extravagant. He wants enough to live on, security in his job, freedom from the overshadowing threat of war—and a fair chance to "get on." Mr Sumner Welles recognised this in his recent speech when he said:

There is no disagreement anywhere as to what the United Nations want. They want full employment for their people at good wages and under good working conditions and the other physical and institutional arrangements that add up to freedom from want.

These "physical and institutional arrangements" are the stumbling blocks; and Mr Sumner Welles very sensibly asked for an immediate and concerted attack on the concrete problems of reconstruction.

If we do not make a start now, there is danger that we shall be brought together to make the peace with as many plans as there are governments.

Mr. Welles believes that if the problems are met in time, before habits of thinking have crystallised in each country, "common denominators" in economic policy can be discovered. The United States Government is ready to begin investigations now, in company with its Allies. Talks on the currency problem have begun. Mr William Batt has gone on record with his hope that the agencies behind Lend-Lease, such as the Combined Raw Materials and Production Board and the Combined Food Board, may continue to function with revised aims and techniques after the war as the instruments of a new kind of control, an expansive control geared to a programme of expanding world consumption. The growing points are there. But the most powerful among the United Nations have yet to prove that they know what they want to do with them. The predominance of America in the economic field lays a special duty on the Americans. The discussion at large during the last months in the United States, together with the talk of conditions for the renewal of Lend-Lease (which have not, in the event, been imposed), has not been wholly reassuring. Nor is there much evidence that the American people as a whole have grasped the essentials of a sound creditor position—willingness to accept goods and services in return for exported capital. In one sense, the future of prosperity of the world depends on the future height of the American tariff, as well as on the future courage of American investment overseas. As Mr Sumner Welles wrote recently in the *Atlantic Monthly*, if America does not mean to stimulate world trade "then other nations will have to plan and build for autarky."

The Political Foundation

International economic collaboration will not take place in a political vacuum. Concrete problems are good starting-points for reconstruction, but, as the plans take shape, they

have to be related to the political controls the victors are ready to create. Many people see that the United Nations could be the framework of a world-embracing federation or union of states; but few have gone so far as Mr Stassen, Governor of Minnesota, who, from among the ranks of the younger Republicans, is calling for "a definite continuing organisation of the world" with United Nations world police force, a bill of rights and a United Nations Court, international control of ports, and responsibility for increasing education and prosperity. He proposes an elected legislature with voting strength based on "the actual strength of the respective member nations" and an executive chosen from and responsible to this assembly. Mr Stassen's proposals are a challenge to more concrete thinking. Few people will deny the necessity of some kind of world council. The scheme he offers presents—as will any scheme—enormous practical difficulties. How can the balance between power and voting strength be worked out so that the smaller nations do not fear domination and the powerful nations secure recognition for their heavier responsibility? The voices which are being raised in this discussion are confused. The delicacy of tampering with national sovereignty was illustrated by the "sovereignty of the air" debate in Congress. A preference for national solutions is apparent in the anxiety of some circles in the United States to take over the American leased bases from the British or to acquire new bases in the Pacific. In Britain, the dominant tone in many recent debates has been "what we have we hold." Russia has given no indication of any readiness to join in world government. It is hard indeed to establish the frontiers between accomplishable world control and Cloud Cuckooland, so long as none of the leading powers gives any lead on the policy it is prepared to back.

The Russian Reaction

One difficulty in the way of formulating concrete peace plans is the attitude of the world to Russia and of Russia to the world. On Monday last Mr Wallace discussed this problem with his usual vigour and frankness. His thesis was:

The future well-being of the world depends upon the extent to which Marxism, as it is being progressively modified in Russia, and democracy, as we are adapting it to twentieth-century conditions, can live together in peace... unless the Western democracies and Russia come to a satisfactory understanding before the war ends, I very much fear that World War 3 will be inevitable.

There can be no question about the Vice-President's diagnosis. Failure to reach agreement with Russia means failure to reach agreement at all, because in the areas in which the seeds of war are most likely to be sown at the peace making—in Germany and in Japan—the attitude of Russia largely determines the attitude of the other Great Powers. If they can reach a co-operative solution there is hope of peace, not otherwise. What can be done to secure agreement? Contributions cannot be unilateral; that is why a Second Front must be the first concern of Britain and the United States, a necessity as well as an obligation. Nothing short of a full-scale offensive will completely banish Russian suspicions. But the contributions in good will and sympathy, too, cannot be unilateral. Admiral Standley, however undiplomatically, laid his finger on a difficulty, when he suggested, with what truth it is impossible to tell, that the Russians, in the spate of their tremendous victories and enormous sacrifices, are being allowed to believe that they were virtually fighting alone. To overcome the engrained suspicions—skilfully played up by Nazi propaganda—on both sides needs a very active effort of good will on the part of the Allied Governments—from the British and the Americans no dealing with quislings, no "sympathy with anti-Russian elements"; from the Russians, a truce to anti-capitalist propaganda. However, Mr Wallace issued the warning that the "Bolshevist bogey" is to a great extent a function of the democracies' own policy. If they tolerate mass unemployment, no Government, Russian or otherwise, will prevent the spread of totalitarian doctrines, to Right and Left.

Trusteeship

A week ago, Colonel Oliver Stanley, the latest Secretary of State for the Colonies, made a speech at Oxford. Like all recent official speeches on colonial policy, it was, in itself, unexceptionable. It dwelt only a short time on past achievements; on the establishment of the rule of law; on the creation of impartial justice and incorruptible administration; on the prevention of exploitation; and on the development of communications, health services, agricul-

tural research, education and welfare. The Minister admitted that, in the main, the conception of trusteeship in the past has been a negative one, a policy designed to safeguard the estate of the several colonies, to preserve it intact, and to see that the income from it is enjoyed by the colony itself. He pointed out that a new conception has been proclaimed, a conception of positive trusteeship by which the colonies and their inhabitants shall be assisted to grow in status and estate and to work out their own destiny for themselves in their own ways, with British aid. The vicious circle by which economic development in the colonies was restricted by the lack of social services and social services by the lack of economic development, was broken, in principle, by the Colonial Development and Welfare Act of 1940. All this is sound statement, and well worth stating to a sceptical outside world. Colonel Stanley was surely right when he said that it would be a surrender to abandon this responsible trusteeship in favour of some kind of international control which has not yet been even defined and which must depend for its appearance upon a degree of international collaboration, in detail as well as in principle, which has not yet come in sight, even for war purposes. But the title deeds of the British Empire are conditional; they must be bought and paid for time and again as long as they run. In the past, the title has been earned by actual achievement; it will have to be earned again in the future, not by the record of the past or the promises of the present, but by positive performance. Until the strains and distresses which are apparent in the West Indies and in Africa have been removed, the new colonial policy will remain a programme, not a fact; and until the machinery of investigation in the specific colonial problems has been vastly speeded by comparison with, say, the bodies that have been at work in British Guiana and Trinidad, the new pledges can hardly be taken at their face value. In wartime, there are obvious difficulties. Goods are scarce to meet the basic needs of the colonies. There is a shortage of shipping space and communications are difficult. The expert scientists that are needed to deal with disease and afflictions of the soil are not available in sufficient numbers. Nevertheless, there is still more than a suspicion that precept and practice are out of step. This country has a historic opportunity, in the implementation of the new Imperialism on the basis of positive trusteeship, to give a lead and set a model for the world. "What we have we hold" is no more than a half truth at best; "What we nourish and develop we hold" is the only sound and just slogan.

A Tragic Lesson

On March 3rd there was an ineffective but noisy raid on London, apparently in retaliation for the devastating attack on Berlin two nights earlier. The noise was due to the remarkable gun barrage which London now possesses. Damage and casualties were very slight. Yet, at one tube shelter, 173 people were killed (60 children) and a further 61 people were seriously injured. This happened in a district where no bomb dropped. It was, as the official statements have emphasised, an accident—and an accident quite without precedent even at the height of the bombing of London in 1940-41. The fact that this tragedy was due neither to panic nor to enemy action strongly underlines the need for the most searching inquiry. An inquiry is to be held, Mr Morrison has announced, but not, unfortunately, in public. Accidents like this should not happen, and those responsible should be made acutely aware of this. Not only did accidents of this kind not happen in 1940-41; it is permissible to suggest that they could not have happened, because the standard of vigilance and safety organisation was kept at all times and at all places at a peak. There could be no more melancholy proof than this accident of the perils of relaxing even the smallest precautions, even though the danger from the air has diminished and become infrequent. Human fallibility, on the part of crowds as well as officials, is unavoidable. But by a proper organisation of entrances, hand-rails, crash barriers, lighting and crowd control this tragedy could surely have been made impossible. Final judgment must await the findings of a full investigation. Every effort has been made to assist the injured survivors and the dependants of those who were killed; but nothing could justify the placing of obstacles in the way of their desire, which is shared by the general public, to know precisely why this dreadful accident was allowed to happen.

Wings for Victory

By Wednesday night, after five days of the Wings for Victory week in London, £102,617,440 had been subscribed

towards the target of £150 millions. This is a remarkable figure. To the extent to which it represents genuine saving and abstention from consumption, which may be appreciable—it represents a direct contribution for the war effort. On the other hand, the figure reached by the end of the week must inevitably wear the usual spurious air. That is to say, there was never much doubt that the target would be attained; and the greater part of it will be made up of large institutional savings which are not savings in any real sense, which would have been invested in Government securities in any case, and which have simply been deployed in this particular way at this particular time to swell the total. As the Chancellor of the Exchequer said when the London week opened, the primary objective of these campaigns is "saving by private individuals." But he also said, "Do not let us decry large subscriptions by institutions and business undertakings," the notion being presumably that these are the whales which, though neither here nor there in themselves, are used to catch the sprats that really count. This theory is excellent, with one important proviso. Possibly, many people are induced by the pageantry and the big numbers of special savings weeks to put aside a little more than usual themselves. But, there is an opposite tendency. Many other people may feel that their mite cannot possibly count beside the thousands and millions of the big savers. In that case, instead of assisting in the sprats' capture, the whales merely frighten them away. Every success must be wished to these Wings for Victory weeks; but there is still an urgent need for clearer thinking about their purpose. Confusion, for example, was revealed in the speeches of Sir Kingsley Wood and Mr Attlee, taken together. Both agreed that savings are needed now to assist the war effort by reducing civilian demand for resources, and, correspondingly, increasing the Government's. But, whereas Mr Attlee, referring to after the war, said that current savings are required to ensure a steady flow of purchasing power to maintain postwar employment, the Chancellor of the Exchequer declared, somewhat astonishingly, that these savings are needed to-day in order to assist in post-war reconstruction. The Chancellor is surely wrong again—unless he simply means, as he certainly did not say, that the withholding or blocking of the money claims represented by these savings after the war will facilitate reconstruction. The only saving that will aid post-war reconstruction will be that made while reconstruction is taking place, that which will actually free resources at the time for reconstruction tasks.

Soldier into Civilian

Lord Nathan has made welfare his province. During the war, he is concerned with welfare in the Army, with the multitude of problems, perplexities, difficulties and discomforts that inevitably confront the civilian turned soldier.

CAMBRIDGE STUDIES IN ECONOMIC HISTORY

THE THEORY AND PRACTICE OF CENTRAL BANKING, 1797-1913

By E. VICTOR MORGAN

Mr Morgan sets out to do in this book what in the writing of modern economic history has seldom been done; his study is both historical and theoretical: economic theory is an avowed part of his subject, but he treats the theories as historical facts and subjects them to historical analysis. At the same time his book is no mere history of economic doctrine; it pays an equal amount of attention to the banking policies, the monetary changes, and the movement of prices, which sometimes influenced theoretical discussion, were often themselves affected by contemporary doctrines and are, in any case, essential for our comprehension of the contemporary modes of economic thought.

15s. net

THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

Occasional Papers

No. II.—THE POPULATION OF BRISTOL

By H. A. SHANNON and E. GREBENIK

Knowledge of population changes is essential in government and trade. Bristol provides data of outstanding interest.

7s. 6d. net

Cambridge University Press

It is this experience that has caused him to turn to the no less perplexing problems that will face the soldier when he turns civilian again. Lord Nathan's proposal is that a Department of Welfare should be set up, in liaison with the Ministry of Labour or the Ministry of Social Security. Its justification is the certainty that when soldiers and war-workers come home again after a war which has dislocated their entire family life, there will be immense need for some authority charged with specific responsibility for answering the questions which these bewildered individuals will inevitably ask, and for placing them, as individuals, in touch with the agencies that can assist them in putting their lives and livelihoods together again. The need is not made smaller by the refusal of the Government, expressed in the House of Lords on Tuesday, to contemplate the creation of a new Ministry. Indeed, the need was recognised by Lord Snell, the Government spokesman; and, Ministry or no Ministry, it must be met, if a real danger of confusion and discontent after the war is to be avoided. The need for means to enable individuals to deal with their own particular and personal problems and anxieties is not new. It has been immensely increased by the dislocation of war, which has placed men, women and children all over the country in abnormal and unfriendly circumstances; and it will be further intensified when the dislocation of war is succeeded by the unscrambling process of the immediate post-war period. But it is a well-known and long-standing criticism of the social services that, perhaps of necessity, they cater for categories and not for individuals, for masses and not for persons, for the "average man" and not for the actual family. In a sense, all social welfare, at the point where it is applied, is concerned with special cases; and every body of enquiry that has investigated the working of this or that social service has been struck by the gap which exists between the administrative machinery that has been created and the actual needs and knowledge of the individuals affected. Whether there is to be a Ministry of Welfare or not, this gap must be closed, especially while the vast task of demobilisation is in train. There must be some agency on the spot from which the individual man and woman can find out where to go and what to do in order to pick up the threads of home and work again. The nuclei exist in the welfare organisations of the Services, in the Citizens' Advice Bureaux and in such *ad hoc* devices as the organisation set up in 1940 to furnish London's homeless with central clearing houses of guidance and aid. Sir William Beveridge has suggested the setting-up of local enquiry offices. The step from these beginnings to local welfare centres, in which all the strands of the social services, public and voluntary, can be brought together as they affect each actual individual who comes for help, is short and surely inevitable; and it should be done deliberately, as Lord Nathan asks.

The New Finnish Cabinet

The Cabinet crisis in Finland was solved last week by the choice of Professor Linkomies, a prominent Conservative, as Prime Minister. M Hakkila, the Social Democrat Speaker of the Diet, failed to form a Ministry when the Agrarian Party announced their refusal to collaborate. This appears to have caused some regret in the Third Reich, where Dr Schmidt had just announced at a Wilhelmstrasse press conference that M. Hakkila was renowned for his anti-Bolshevik convictions. Besides the appointment of M Linkomies, the most important feature of the new Cabinet is the replacement of the pro-German Foreign Minister, M Witting, by the Social Democrat M Ramsay, a Fenno-Swede known to have numerous personal connections with the western democracies. It may also be significant that M. Fagerholm, whose resignation was nearly engineered by pro-German sympathisers last December, remains in the Government, while the representative of the IKL—the local Nazi party—and Pastor Kukkonen, a protagonist of the Greater Finland policy, have been dropped. Axis sympathisers are attempting to draw comfort from the fact that Professor Linkomies is a pure Finn, reputed to favour the retention of Far Karelia. The formation of the new Cabinet occupied some two and a half weeks after the Presidential election. The Cabinet itself has emerged from a background of feverish negotiation and uncertainty and has as yet made no statement of policy, although in the meanwhile the President, M Ryti, has once more stressed the inevitability of Finland remaining in the war. The press of all nations has shown a tendency to tie itself in knots attempting to forecast the implications of the reshuffle, but it seems probable

that no crucial decision has yet been made; that the Finnish Government is not secretly pledged either to continue the war or to renounce it. Probably the slight shift to the side of democracy is a conscious attempt to foster understanding with the United States and this country as a measure of reinsurance. But there appears to have been some reaction in Finnish opinion since early February from the anxiety to break with the Axis. No doubt the check to the Russian advance and the setback in Tunisia are partly responsible. People argue that, after all, a German defeat may not be inevitable.

Manpower Reserve

Britain's manpower and womanpower are now highly mobilised, as Dr Goebbels himself has recently had occasion to remark. Little more can be expected in the way of tapping fresh sources of labour during 1943; and Mr Ince, Director-General of Manpower at the Ministry of Labour, pointed out in a speech last week-end that part-time women represent about the only reserve from which the places of men called up for the Services can be filled. Recent figures show that about a quarter of a million women are engaged on part-time work. An expansion to at least one million is hoped for. Part-time work has several advantages; it minimises the difficulties of shopping and domestic ties, and, if arrangements can be made between two women to work alternate shifts in the factory, and look after each other's children when off duty, it can be mutually beneficial. Many employers prefer to take on two part-time women to one full-time woman, since they arrive fresher at work, industrial fatigue is less, absenteeism is lower, and in many cases—so long as the continuity of the process is not broken up—their combined output is higher than that of a single woman. It is probable that schemes for outwork, either in workers' homes or in decentralised workshops, such as were described in *The Economist* on February 27th, will be developed—though not, it is to be hoped, at the expense of recruitment for factory work, which is in every respect more productive. The drive for part-time workers should not be made an excuse either for full-time recruitment or for not extending the number of day nurseries, and otherwise making it much easier than it is for married women to work full time in factories. Mr Ince, echoing earlier pronouncements by Mr Bevin and Mr Lyttelton, said that the chief task now is to make up for labour shortage by increasing labour's productivity, and in this connection he stressed the importance of training. Although the 26 Government training centres and 150 technical colleges have played an important part in training recruits for industry, the bulk of the training still has to be provided within the factories themselves. Many employers, either through shortage of skilled labour or through pressure of work, are still slow, after 3½ years of war, to provide the necessary facilities; and the question of training and up-grading women, and ensuring their employment on the jobs for which they have been trained, is one that calls for constant vigilance and control by the Ministry of Labour's staffs. Like labour, managerial staffs have been heavily diluted since the war.

Buoyant Revenue

Just over a month ago, the Chancellor of the Exchequer announced that expenditure in the financial year 1942-43 would exceed the Budget estimate by some 5 per cent. For a long time, it has been obvious that revenue, too, would exceed the estimate. It is likely to do so some three weeks before the end of the financial year on March 31st. Ordinary revenue between April 1, 1942, and March 6th this year amounted to £2,592 millions, compared with an estimate of £2,627 millions for the whole financial year—and compared with £1,902 millions in the period between April 1, 1941, and March 7, 1942. It is likely that the estimate will be exceeded in both direct and indirect taxation; but the most striking increase, and the most significant one, will be in the latter category. Customs and excise have already brought in £826 million, compared with an estimate of £805 millions, and excise alone has yielded £402 millions, compared with £367 millions estimated. About this, there is no occasion for unmixed congratulation. In part, at least, it is a sign that civilian consumption has exceeded expectations in spite of onerous rates of tax, and is a sign that a proportion of the purchasing power which should have gone entirely into genuine saving

has, in fact, been spent, that is, employed on the undesirable consumption of real resources—which it is above all needful to conserve against the inevitably austere requirements of the next phase of the war. The Chancellor of the Exchequer when he prepares his new Budget will have to decide what he wants most from his indirect taxes—revenue or the curtailment of physical consumption.

Engineers' Wages

As expected, the long-drawn-out negotiations about wages between the engineering employers and engineering unions have resulted in a "failure to agree." The Minister of Labour is being informed of the existence of a state of dispute in the industry, and the claim will be referred to the National Arbitration Tribunal. Last summer, the 40 engineering unions put forward a collective claim for an all-round increase of 11s. a week on the basic wage, for an increase of 33½ per cent on basic rates for plain time-workers, and for the restoration of the pre-1931 conditions of overtime, Sunday work and night shifts. The employers made a counter offer of an additional 6s. a week for all plain time workers, with a consequential variation of the earnings of lower paid piece-rate workers, and advocated a revised wage structure for the industry. They were unwilling to concede the restoration of the pre-1931 conditions. A joint sub-committee of the two sides was set up to examine the proposals, but no settlement was reached. The Tribunal is bound to offer the engineers an increase on their present rates—it can hardly offer less than the employers were prepared to concede—and the unions are bound to accept its award. There will be no strike, and the engineers know that they will not get the full increases originally asked for, which were pitched high in the first place and against the advice of the union leaders. The vital part played by engineering workers in the war effort is fully recognised, and it may well be that the claims of lower-paid workers, especially of women, deserve special consideration, and that there are anomalies which should be rectified. But an increase in wages in engineering will inevitably lead to further demands from other branches of industry, especially as the engineers are already the highest paid of all industrial workers.

The Railway Case

Railway chairmen these days have a tale to tell at the annual meetings of shareholders. Proudly they describe the vital rôle the railways are playing in wartime and about the mounting traffics efficiently carried. Before the war, said Sir Thomas Royden, of the LMS, on Friday, last week, passenger journeys represented some 20,000 million miles of travel and freight traffic 17,000 million ton miles; last year passenger traffic was up 10,000 million passenger miles and freight traffic by 7,000 million ton miles. Here is a measure of the intensity of Britain's war effort. To carry this greatly increased volume of traffic, augmented by the need to save rubber and petrol on the road, and by the limitations upon coastal shipping, the railway machine, pointed out Sir Ronald Matthews, of the LNER, in answer to "those few surviving critics of railway efficiency," has needed an expenditure equal to the cost of only a few hours of war. Steps have been taken to economise fuel; the pooling of wagons has been successful in reducing substantially the movement of empty wagons; permanent way, rolling stock and buildings have been maintained as well as possible in difficult conditions; large numbers of women have had to be trained to take the place of men called up. Sir Thomas Royden adroitly took the opportunity of putting in a plea for the stockholders by contrasting the magnificent services rendered by the railways with what he considers their meagre financial recognition by the Government.

Just when we might reasonably have expected to see some reward for our conservative policy, war broke out, the Government took over the railways and it was the community and not the stockholders who reaped the benefit. . . . As a final travesty of justice, the self-denial of the stockholders in the matter of dividends was actually quoted against them as an argument for cutting down the price paid by the Government for the use of the railways.

On Wednesday Sir Charles Hambro, of the Great Western, set this alongside Sir Thomas Royden's outburst:—

I must remind stockholders that the railway companies accepted the fixed annual payment of £43 millions as a wartime arrangement, because it was recognised that in time of war the national interest was paramount. . . . Another factor to be borne in mind is that our receipts during the past year arose mainly from war traffics carried under exceptional conditions. . . . As all cheap fares were abolished,

and the train services largely reduced, it is not surprising that there should have been a large increase in net earnings.

True, in terms of the nominal capital of the railways, the return seems meagre, less than 4 per cent; expressed as a percentage of the effective capital employed—the only real basis of comparison—it may show a different picture. Whatever the wartime service of the railways—and wartime service is only common duty—their stockholders could hardly expect to derive special gains from Britain's emergency, especially as, for the most part, they are not identical with the officials and operatives who are actually doing the job.

Freedom of Martinique

So the seamen were wrong who struck in New Orleans because the food they were shipping was designed for Admiral Robert. According to Mr Sumner Welles, no food has been sent to Martinique since last November. But the seamen were right in their suspicions of Admiral Robert. Even the cautious State Department admits that he has been "somewhat recalcitrant." As a means of counter-pressure, the island of Martinique has now been deprived of supplies for the last two months. Surely this, of all ways of dealing with recalcitrance, is the least satisfactory. Admiral Robert will be the last, not the first, to starve, and meanwhile his unhappy people, of whom a large percentage are in favour of resistance, must endure famine for the inglorious principles of Pétain's National Revolution. The time has come to end the farce of Robert's pretended sovereignty. The Vichy régime is at an end, leaving as its only legacy the total disappearance of any sort of French State. In this anarchic situation, there is only one safe basis of sovereignty, the old basis, the will of the people. Let the people of Martinique be given the chance given to the people of St. Pierre and Miquelon to say whether they will support the United Nations or not. The evidence suggests that a clear majority would do so. Robert and his Vichy naval officers may make a show of resistance if the Allies take over the island just as the British received stiff opposition in Madagascar. But who will doubt that the British policy was correct?

Spanish Scare

It was certainly time for the Germans to revive the bogey of a Nazi occupation of Spain. Now, as before, no certain answer can possibly be given about Germany's intentions towards Spain. Now, as before, the familiar pros and cons—Spain's lack of food against the benefits to be derived from nipping the Mediterranean at the Straits of Gibraltar—are doubtless as baffling to the Führer as they are to the world at large. There seems to be no doubt that fresh German pressure has been brought to bear on the Caudillo. Troop movements on the Pyrenees can easily be explained away as manoeuvres to attain closer frontier control; so can the German torpedoing of a Spanish vessel, the *Monte Igueldo*, on the ground that accidents will happen. Certainly, nothing can be deduced from the official visit to Spain of the Reich Student Leader. Even the seizure of the French post office in Tangier by the Spanish authorities last week is not unmistakable evidence of German control. The Latin American states, which follow Iberian affairs with peculiar attention and insight, do seem to incline to the view that the danger is genuine—in which case, Argentina might find *Hispanidad* a feeble prop to its neutrality. At the end of February, the Argentine *El Mundo* and the Brazilian *O Jornal* definitely affirmed that occupation was imminent. Yet it may be that the German pressure is essentially defensive, designed to caution a Government which has recently seen fit to send an envoy, Colonel Beigbeder, to Washington. In the circumstances, the question of Lend-Lease for Spain, and the indignation aroused in America by the despatch to that country of much needed oil supplies, has great importance. It would be no service to Spain to render it rich enough to attract the plunderer.

Shorter Note

Trade may now be resumed with French Somaliland, Réunion and the dependencies of Madagascar. Trade with the mainland of Madagascar has already been authorised.

AMERICAN SURVEY

Last Testament

Not long ago the House of Representatives refused to appropriate funds to continue the existence of the National Resources Planning Board, a signal example of how political considerations can be allowed to obscure a sense of national values. The NRPB has celebrated its death-warrant, and justified its claim to go on living, by the issue of a remarkable report on future economic policy. The report is more than a Beveridge plan; social security is only one part. In general, according to the first brief cables from Washington on Wednesday, it is a comprehensive plan for the transition from war to peace. Its first half is made up of proposals for the demobilisation of men and plant, and for their remobilisation for peace purposes and reconstruction; its second is concerned with provisions for old age, want, dependency, unemployment, sickness and accident. Stress is laid upon the retention and encouragement of private enterprise; but a basic assumption is that a policy of full employment should be pursued by the Government. Nationally, this report, which is based on three years' work (and calls for much more extended treatment than in this short Note), suggests a new chapter in the New Deal. It offers to the United States Government a bold and imaginative programme, built on practical lines—just when the British Government has decided that the Beveridge plan is probably too big to handle, except in penny numbers. Internationally, it outlines a policy by which, in combination with freer importing and courageous investment overseas, the United States can be the power house of world economic advance.

* * *

Action on Manpower?

Some further action on the manpower issue, which has provided the main subject of debate on the home front, appears imminent. A special committee of five has been instructed to prepare a report for the President on the best use of the nation's manpower resources. The five members of the Committee are Mr Baruch, Mr Byrnes, Admiral Leahy, Mr Hopkins and Judge Rosenman, long a close adviser of the President. A correspondent of the *New York Times* suggests that the size of the Army may again be under consideration, but Mr Stimson's statement this week that "it is impossible to reduce its size or interrupt its training" makes this appear unlikely. The concern of the new manpower committee is more likely to be with the estimates of the manpower shortages, and the location of the most critical sectors, in agriculture, certain industrial skills and medicine; and with the adoption of new controls for more orderly allocation. The deferment of essential farm workers has this week been made general, and it has been announced that industrial workers returning to agriculture will be exempt. But although Congress has no integrated programme for dealing with the issue, it has made clear its distrust of Mr McNutt, the Manpower Commissioner, by refusing to grant him the \$2,454,000 he requested for extending the work of the United States Employment Services, and unless the Administration produces a convincing plan—and a more popular Administrator—Congress will be encouraged to take over the reins. Presumably the Committee is also considering the pros and cons of industrial conscription. Mr McNutt and his Commission remain hostile to the Austin-Wadsworth Bill for the use of compulsion in allocating labour. Mr Stimson, on the other hand, has, with apparent reluctance, found reliance on the voluntary principle inadequate, and is supporting a National Service Bill. In this matter, Mr McNutt has the support of organised labour, which has set its face against compulsion.

* * *

Kitchen Crisis

The United States is now on points. The rationing of tinned and processed foods is more drastic than had been expected. Instead of the 25 per cent cut that had been cheerfully anticipated, under present points values only about 13 million cases of canned goods will be distributed monthly, instead of the 30 million cases consumed during 1941-42. Each purchaser will get only two to four average sized tins a month. Included in the ration of 48 points a month are peas, 16 points; tomatoes, 16; grapefruit juice,

23 points for 2 lbs.; soups, 6 points; and baby foods. The ration is something of a shock; but the picture of the American housewife desperately, but courageously, facing the future, with an idle tin-opener and foreign-looking piles of fresh fruits and vegetables, is far from fair. Tinned foods are used more in the United States than in other countries; but to suggest that they are a major part of American cooking does less than justice to the great culinary traditions of the South, of New England, and the Middle West. The reason for the food crisis lies, not in an inability to deal with fresh foods, and not so much in a real shortage, as in the threat—it is still only that—of a failure to achieve efficient and equitable distribution of supplies. There is some danger that dissatisfaction with the present methods of price control and rationing—and with enforcement of both—may lead to a lack of confidence which will stimulate black markets and lead to further shortages.

* * *

In the Lion's Den

Once more the efforts of Sir Walter Citrine and his delegation have failed to secure the participation of the American Federation of Labour in a labour organisation including representatives of Russian labour, or to persuade the AFL to sanction independent representation of the Congress of Industrial Organisations and the Railway Brotherhoods in such a body. The acrimony and public recrimination which have followed this new attempt make it difficult not to believe that it would have been better—for the time being, at least—to have let the project rest, as, indeed, Sir Walter was advised. The Federation has stubbornly refused to depart from its position that

any organic liaison with the Soviet trade unions is undesirable because . . . the Soviet unions are not free labour organisations, but the instrument of a state.

On the other side of the fence, salt has been poured into a re-opened wound. The CIO and the Railway Brotherhoods have been incensed by the refusal of the British Trades Union Congress to deal directly with them, instead of insisting that any such negotiations be conducted through the AFL. They consider it derogatory to their dignity. The position is that the AFL, with which the TUC feels it must treat as a consequence of its international affiliations and long relationship, will not co-operate; whereas the two other great American labour bodies, which are prepared to enter into an alliance of all United Nations' labour organisations, cannot be approached directly, because of the monopolistic attitude of the AFL and the self-denying ordinance of the TUC. In this lion's den of labour rivalry Sir Walter appears to have acted with more energy than discretion.

* * *

Ruml Legislation

The need for a pay-as-you-go plan for income taxes has been conceded in all quarters. What remains to be determined now is what form it shall take. Despite the popularity of Dr Ruml's provision for "forgiveness" of 1942 taxes, it is unlikely that his scheme will be accepted in its original form. At least four Bills embodying pay-as-you-go have been introduced. The compromises take two forms. One would provide for "forgiveness" in the lower tax brackets only. It is reported that discussions have been going on between tax legislators and the Treasury along this line; and one possibility is that "forgiveness" might be extended through the first surtax bracket, thus preventing the windfalls to taxpayers in the higher brackets, which constituted the main objection of the Treasury to the Ruml plan. The other issue is whether pay-as-you-go should go into effect at once or not; on this the feeling is that taxes as usual might be paid on March 15th, and that the other quarterly payments might combine 1943 tax liabilities with part of 1942's liabilities. The latter might then be spread over a period. A few Congressmen would like to pass legislation on the Ruml plan independently of the new revenue bill, but the Treasury has discouraged this, suspecting it would remove the main impetus from the drive for new tax legislation. Although there may be some delay in arriving at a compromise satisfactory both to the Treasury and Capitol Hill, the incorporation of the principles of pay-as-you-earn and of withholding tax at source in the American income-tax system appears likely.

THE WORLD OVERSEAS

"L'État Français"

(By a Correspondent)

"THINGS and actions are what they are, and the consequences of them will be what they will be: why then should we seek to be deceived?" It is a pity Bishop Butler's wisdom could not have been applied to recent discussions of the present and future political problems of France which have illustrated once again Britain's national talent for ignoring unpleasant facts and, if they cannot be ignored, asserting or assuming that they need not have unpleasant consequences.

One unpleasant fact, above all, has been ignored, and one unpleasant set of consequences minimised or wished out of existence. Yet the fact is indisputable and, one would have thought, sufficiently dramatic to win attention. The fact is the absence from the world at this moment of a French state. It is true that there exists a body which calls itself a French state and, indeed, calls itself that and nothing more. But the "French State," as an independent body, is as much a fiction as the sovereignty of the Sultan of Morocco or of the Emperor of Annam. The case might indeed be put a little more strongly than that. For the French conquerors, in Annam or Morocco, were taking over and exploiting the existing political organisation; the Germans in 1940 permitted the creation of a new political organisation for France which, in their then state of omnipotence, was the same thing as creating it. If Pétain had not existed, he would have had to be invented. People talk of Pétain "adopting the policy of an armistice." But the Marshal had in 1940 only "the freedom of choice" between resistance and non-resistance. The fact that the non-resistance chosen was given form by an armistice should not blind us to the fact that it was non-resistance that was chosen by the Marshal; the armistice was not negotiated. It was, like the "*Charte octroyée*" of Louis XVIII in 1814, given by Hitler for his own reasons and at his own good pleasure. Hitler could have behaved in France as he behaved in Poland—abolished the French state altogether. He could have completed his military victory and ruled all France directly. Why did he not do so? Because he thought Vichy would be a paying proposition. He may have been wrong, but the decision was made not by the impotent and despairing Marshal, but by the triumphant and, at that moment, apparently invincible Fuehrer.

Once the Germans had decided that it paid them to permit and encourage the creation of a "French state" they allowed it the harmless luxury of apparent sovereignty. It had to look like a semi-independent organisation as much and as long as was required by German policy. No doubt, direct interference varied. Dakar, Algiers and Martinique were given more rope than Vichy or Marseilles to do

the Indian rope trick, that is, to make German domination seem to disappear into the blue.

The political consequences have been grave and are still grave. All over the world, in Shanghai and Buenos Aires, in Stockholm and Ottawa, in Washington and Ankara, the German-sponsored "French state" has been the administrator of the diplomatic and other assets of the French Republic. It has been "France" for that large section of the world's population that does not bother to look behind fictions. The consequences have been serious for us and important for the Germans. It is true that our own action in supporting the de Gaulle movement—for all its grave faults and imperfections, which have not grown less—saved us from the worst consequences of the Vichy policy. Refusing to recognise the armistice, encouraging French disavowal of it, repeatedly asserting the British belief in a real France that was neither collaborationist nor *attentiste*, we were able to protest continually and effectually against the basic Vichy premise that it was possible to do a deal with Hitler. If there had been no continuing protest, Hitler would have gained even more by his "magnanimity" than he did. The spectacle of France either rushing to the side of the victor, or attempting to manoeuvre in the tiny field left to her by Hitler, would have been a moral triumph of great importance in the epoch when Hitler was selling the New Order, not only in Europe, but in America. To deny this is to affirm that we should be no worse off if King Haakon had remained in Norway to imitate Pétain or if Queen Wilhelmina had gone to Java to imitate Admiral Decoux and the other Vichy agents who surrendered Indo-China to Japan.

If Hitler, as some pretend, "made a mistake" the price is being paid not by Germany, but by France, now there is no generally recognised and functioning French political authority. The fiction of Vichy now pays hardly anybody. All of France is occupied and the situation only differs from the other occupied countries by the higher rank and the more generally representative character of the Vichy agents and apologists of German policy. Only in China has the Axis managed to find so plausible an imitation of a native government as it has in France. But Chungking and the Chinese Government give an answer to the Japanese claims that no French Government can now make to the German claims. To state this is to state a regrettable and tragic fact.

It is of the greatest importance for Europe—and for France—that there should be a strong and representative French Government and French state in existence as soon as possible after the invasion, or the German collapse. That Government should not be proscriptive in

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

Capital Authorised & Subscribed	-	-	-	£10,000,000
Capital Paid Up	-	-	-	£2,500,000
Reserve Fund	-	-	-	£3,000,000

Head Office: 10, CLEMENTS LANE, LOMBARD STREET; and 77, KING WILLIAM STREET, LONDON, E.C.4
London Wall Branch: 63, LONDON WALL E.C.2. West End Branch: 8, NORTHUMBERLAND AVENUE, W.6.2.
New York Agency: 67, WALL STREET.

Over 380 Branches, Sub-Branches and Agencies in South, East and Central Africa.

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED AT ALL BRANCHES AND AGENCIES

temper or too self-righteous. But it is idle to expect that any French Government can begin to function that does not condemn at least the attitude of the unshakably loyal agents of Vichy like Admiral Robert at Martinique.

The eleven-hour cannot last forever; it will soon be *minuit passé*. And everybody who has any concern for the future of France and of Europe should begin all consideration of the French problem by accepting the fact that the Vichy experiment has ended in a disastrous destruction of the political framework of France. What form rebuilding should take is too great a question for discussion here, except that it must be done by the people of France. One basic error can be avoided from the start, the error that assumes that only dilapidations are in question. A complete reconstruction is called for and will be called for by the owners, the French people, whatever our perennially hopeful paperhangers think.

North American Lumber

[BY A CORRESPONDENT]

BROADLY speaking, natural resources fall into two categories—recurrent and exhaustible. To the former belong forest and agricultural products, as well as hydro-electric energy, and to the latter petroleum, coal and metallic ores. North America is generously endowed with both. But, for nearly three centuries, timber has been "mined" in the United States, that is, virgin timber has been exploited, leaving in many cases devastated and unproductive areas. The US Forest Service estimates the annual drain of timber resources, including cutting, fire and disease, at 13,500 million cubic feet—a figure which, of late, has exceeded annual growth by 2,200 million cubic feet. The potential productivity of the nation's forest lands, with moderately full use, is placed at well over 20,000 million cubic feet, or virtually double the present rate of growth. The practice of selective cutting and sustained yield is gaining ground.

The principal kinds of soft wood exploited by the United States are yellow pine, Douglas fir, Ponderosa pine and white pine, while oak, yellow poplar, tupelo and birch are the chief hard woods cut. Canada's forest area exceeds 1,220,000 square miles, or 35 per cent of the total land area. About 450,000 square miles of it is unsuitable for commercial operations, but on 770,000 square miles there are trees large enough for use now, or which can be expected to grow to usable size in the near future. The present accessible productive forests cover 430,000 square miles, of which 45 per cent bears merchantable timber, and the balance has young growth. The volume of wood in merchantable forest is reckoned at 313,140 million cubic feet. The most important of all species in the Dominion is spruce, covering over one-third of the total forest area. Softwood or coniferous species together make up 75 per cent of the total, and hardwood or broad-leaved species constitute the balance.

Great strides have been taken in the rational use of timber since the depression, which compelled the industry to initiate and sponsor new ideas and methods. Progress has been noteworthy in three directions—speed of construction, prefabrication, and size of construction. Thus, in one part of the United States, one million foot board measure of lumber is being prefabricated into trusses and columns every twenty-four hours, seven days a week. Glued, laminated wood construction for beams, columns and arches is one of the leading new developments. No metal is required for this purpose, and lumber which otherwise might be structurally useless can be employed with advantage. Composite timber-concrete deck construction is another forward step in the

use of timber. The higher-stress grade lumber is reserved for special uses—aircraft, pontoons and ships. To-day, timber is taking the place of steel in, for instance, truck bodies, and in bunks for soldiers, and wood pipe is being substituted for cast-iron pipe. It is being extensively employed in building camps, in gun stocks, aircraft parts, decks of battleships, pontoon bridges, and keels of Liberty ships. The Curtiss C.76 *Caravan* represents, like the Mosquito bomber, a return from metal to wooden construction in aircraft manufacture.

The War Production Board places the nation's lumber consumption this year at 31,000 million board feet, and the production goal at 32,000 million board feet. The attainment of this goal depends on manpower, tractors, trucks and the flow of repair parts to the industry. Mr R. P. A. Johnson, Wood Consultant, WPB, has pointed out that when one material is substituted extensively for others, the substitute in turn gets scarce, and that was happening to wood towards the end of 1942. Construction lumber was, therefore, placed under a limitation order. Certain grades and species were virtually frozen to direct them into definite war uses, since the overall lumber situation was getting tight. Recent developments have, however, made possible the utilisation of smaller sizes, such as are available from local stands of timber. This is important, because even in 1938 nine States produced negligible amounts of lumber. With the strain on transport, local supplies should prove doubly valuable. In relation to domestic production and consumption, America's exports and imports of timber are relatively small. In 1940, shipments abroad totalled 841 m.b.f., a drop of 261 m.b.f. from the 1939 figure, and imports amounted to 740 m.b.f. (an increase of 15 million m.b.f. over the preceding year)—virtually the entire soft wood supply coming from Canada, and hardwood from the Philippines.

In Canada, the average annual cut for the ten-year period (1929-38) for all uses was 2,546 million cubic feet. Of this, 32 per cent was accounted for by saw mill products: 27.6 per cent by pulp and paper, 34.1 per cent by fuel, 6 per cent by miscellaneous uses, and 9 per cent by exports. The Dominion's timber production in 1943 is estimated to reach 4,000 million board feet, of which 1,000 million board feet are to be set aside for Britain. Last year, shipments of Canadian lumber to the United States are estimated at 1,300 million board feet, or double the normal figure.

A preliminary estimate of the pulpwood supply available this year indicates a total of 20 million cords in North America (including Canada). It compares with consumption at an annual rate of 25 millions towards the end of last year. This has led to a cut in newsprint. Thus, in each quarter beginning on January 1, 1943, each individual American newspaper may only consume paper to an amount based on the total tonnage required to produce its "net paid" circulation for the corresponding quarter of 1941, with certain concessions to those papers which increased their circulations in the intervening period.

Books Received

- The Modern Democratic State.* By A. D. Lindsay. (London) H. Milford. 286 pages. 12s. 6d. net.
- Behind the Urals.* By J. Scott. (London) Secker and Warburg. 223 pages. 7s. 6d. net.
- Wartime Rationing and Consumption.* League of Nations Economic Intelligence Service. (London) Allen and Unwin. 87 pages. 3s. 6d. net.
- The United States and Civilization.* By J. U. Nef. Wargree Foundation Lectures, 1940-41. (London) Cambridge University Press. 421 pages. 18s. net.
- Diagnosis Of Our Time.* By Karl Mannheim. (London) Kegan Paul, Trench, Trubner and Co. 179 pages. 10s. 6d. net.
- The British Empire. Its Structure and Spirit.* By E. A. Walker. (London) H. Milford. 250 pages. 12s. 6d. net.
- Britain's Schools.* Memorandum by Communist Party of Great Britain. (London) Communist Party Press Office. 39 pages. 6d. net.
- Manpower: A Summary of the British Experience.* By E. I. Biddle. (Chicago) Public Administration Service. 75 pages. 75 cents.
- Staples Reconstruction Digests: What People Think.* No. 1. *Town and Country Planning.* 98 pages. No. 2. *Social Security, Being a Digest of the Beveridge Plan.* 76 pages. (London) Staples and Staples. 1s. each, net.
- The Speeches of General de Gaulle.* (London) H. Milford. 116 pages. 3s. 6d. net.
- The Political Economy of Population.* By R. Mukerjee. (London) Longmans, Green. 467 pages. 7s. 6d. net.

Portuguese Banking

[FROM OUR LISBON CORRESPONDENT]

ACCOUNTS of the principal Portuguese banks are mostly in shareholders' hands, and the figures for 1942 are satisfactory. They show that deposits increased by 60-70 per cent on the year, and that there were substantial profits, despite liberal additions to reserves both hidden and visible, and strong cash positions. Nevertheless, there is uneasiness, not of what is, but of what may, lie round the corner. A market full of money at present unemployable, and a reasonable dread lest the diminishing purchasing power of such money, reckoned in terms of everyday goods, should

eventually affect currency conditions, explains this. Up to now, the efforts of those in authority to control prices have kept the brakes on, though the wheels still move, albeit slowly, towards higher and higher prices.

A potential danger may also lie in the system of international clearings, complicated by advances now made to holders whose credits have not as yet been covered by corresponding equivalents in other currencies. But the brighter side is that expressed by the chairman of one important bank, who said, "What currency to-day has the support of an economic and financial system safer than ours? . . . whatever may be the base on which post-war monetary systems may be established, I affirm my unshakable faith in the destiny of our currency, and, what is even more important, in the destinies of this country."

Russia at War

Drive in Agriculture

The Council of People's Commissars and the Central Committee of the Party have jointly issued a number of detailed instructions about the approaching campaign of spring sowing. The directions given afford a glimpse into the difficulties with which Soviet agriculture is struggling and show the means and methods employed to overcome them.

The instructions say nothing about any further expansion of the acreage under cultivation. Instead, "the increase in the yields of all agricultural crops" is considered as "the chief task of 1943." This contrasts strikingly with the insistence on expansion which was typical of Russian agricultural policy in 1941 and 1942. The expansion of cultivated land in 1942 amounted to 5 million acres. This was not large compared with the agricultural losses due to enemy occupation. By the recapture of the Northern Caucasus alone, the Russians have now "expanded" the area potentially under cultivation by more than 30 million acres. The policy of expansion is in any case not likely to produce any significant additions to crops at this stage, because of an unavoidable deterioration in agricultural technique. What may have been gained by bringing new land under the plough may well have been lost lately by a decrease in the yield per acre. It is therefore natural that the new instructions should stress the need for intensification rather than expansion.

Before the present war, the total number of tractors, harvester-combines and lorries working for collective and state farms was at least 830,000. A high proportion of these must have gone to strengthen the mechanical equipment of the army—*Pravda* says that Soviet agriculture can still use "several hundred thousands of machines." The technical staffs—drivers and mechanics—have been depleted; and although new trainees have filled the gaps, their work is of necessity not up to pre-war standards.

An All-Out Effort

The new instructions are meant to overcome the "bottleneck." The reorganisation of the machine tractor stations is the main part of the preparation for the sowing campaign. It seems in fact that this is now the chief preoccupation of the whole administrative economic apparatus from top to bottom. As is usual in all cases when some dangerous bottleneck has to be eliminated, the principle of "personal responsibility" has been firmly enforced. The Vice-Commissar for Agriculture, Vasin, has been made responsible for the timely repair of gas generator tractors; and the Commissars of the republics and the heads of regional party organisations have also had their "personal responsibility" clearly defined.

The campaign is to be carried out under the strictest control from the centre. The regional administrative bodies have been ordered to report progress in the repair of tractors every ten days—from March 10th to May 20th—by direct cables to the Government and to the Central Committee of the party—an emergency measure which is unusual even according to the Soviet standards of centralised control. The time-table for the repair work has been rigorously fixed. Until March 10th, factories have to set up teams of repair workers ("without detriment to the fulfilment of war orders")—to be sent to the machine tractor stations which are behindhand with repairs. The dead-line for the repair of gas generator tractors is April 1st, for the checking of harvester-combines March 15th, and so on.

The way in which machine tractor stations use their personnel has also been modified. Until now tractor teams have been sent out to work in response to the demands of the collective farms. They were shifted from farm to farm without being permanently attached to any. This has been changed. Tractor teams will now be attached for at least one year to particular farms or groups of farms. Similarly, in order to put an end to "the impersonal attitude," driver teams have been instructed to work with their own particular equipment; and the exchange of equipment between various teams has been prohibited.

Incentive Wages

In order to encourage better work, very high bonuses have been fixed, especially for supervising staffs. The interesting point about the bonuses is that they will be paid, not only for overtime, but also for the fulfilment of the normal quota, and for good maintenance of technical equipment. The bonus for a "senior driver" and his assistant amounts to a year's earnings in cash. The basic wage has, in other words, been increased by 100 per cent, at a stroke. Ordinary drivers whose teams of tractors do a minimum of 88,000 acres within the first fortnight of the sowing campaign receive bonuses amounting to a month's wages; for each two and a half acres in excess of that minimum an additional labour day will be paid. This rise in the wages bill of the machine tractor stations has compelled the Commissariat of Finance to make quasi-inflationary adjustments in the budget estimates of agricultural expenditure. The Commissariat will have to advance considerable sums, as the machine tractor stations will not be able to pay the higher wages out of their normal funds.

It is reasonable to expect that this formidable spurt will help Soviet farming to get into its stride during the spring. It is significant that the quotas of petrol allocated for the first phase of this year's campaigning are 10 per cent higher than those fixed in 1939, when Russian agriculture worked under normal peace conditions. The fact that this higher allocation can be made reflects the improved oil position, after the recapture of the Caucasus; but it also indicates the importance attached to the battle for bread.

The Recaptured Land

The crucial question is to what an extent it will be possible to make use of the recaptured land in this year's campaign. The total gain is 55-60 million acres of normally cultivated soil. The Don and Stalingrad regions as well as the northern Caucasus specialised in winter grains during the last pre-war decade. In the Caucasus, for instance, out of a total of 11.5 million acres under wheat not less than 8.5 millions were under winter wheat. A quick change-over to spring grains will be needed. The problem of machinery is the more vital here, because it was in the south that the percentage of field operations performed by tractors used to be the highest in Russia. On the Kuban and the Terek, for instance, 98-100 per cent of the ploughing used to be done by tractors as well as 99-100 per cent of the grain sowing. (The average for the whole of Russia was 74 and 47 per cent respectively.)

It seems therefore that the instructions about the machine tractor stations have been issued with an eye to the needs of farming in the regained territories. The great question is whether adequate numbers of tractors, harvesters and trucks are available. A massive transfer of machinery from the east to the southern regions is probably necessary, if farming on the Don and the Volga and in the Caucasus is to be restored to any appreciable extent.

New "Peace Aims Pamphlets"

THE FOUNDATION OF ECONOMIC RECONSTRUCTION

Professor John Macmurray 4d. net.

THE ECONOMIC BASIS OF PEACE

E. F. M. Durbin, A. A. Evans, Dr. Thomas Balogh and others. 1s. 3d. net.

Full list on application.

NATIONAL PEACE COUNCIL,
(Ref. Ec.) 144 Southampton Row, London, W.C.1

THE BUSINESS WORLD

Post-war Currency Plans

POST-WAR currency problems are receiving a great deal of attention. The Imperial and Allied conferences which have already been called to discuss the subject, the promise of further official discussions, and the volume of currency memoranda, official and private, which have been circulating seem to guarantee that in this direction, at least, the Allied nations will not find themselves wholly unprepared for the work of reconstruction. The recent speech which the Chancellor of the Exchequer made in the House of Commons on post-war economic policy provided interesting hints of the general lines on which official thought is running. The Treasury communique issued last week after the first session of inter-Allied talks on this problem gave some idea of the scope of the schemes which are being outlined. Muffled echoes of the so-called "Keynes Plan" discussed at this and at a previous Imperial monetary conference have inevitably escaped from the shuttered rooms in which the discussions took place.

What kind of international monetary mechanism is it being proposed to set up in the immediate post-war period? From the rumours and reports it seems reasonable to assume that the currency system of the future will be international and multilateral in its functioning; that it will, therefore, avoid the rigidities of strictly bilateral settlement of international trade; that it will embody some machinery of consultation, with delegated executive powers to maintain an international equilibrium of prices and costs, either by directing changes in the exchange value of different currencies, or by inducing member countries to correct any tendency to deviate from the international equilibrium in their domestic positions, but that it will be able to provide time for these correctives to produce their effect by providing credit for debtor countries; that there is no question of returning to such a system as the old type of gold standard which, even in its most "managed" form, tended to work with arbitrary and painful rigidity; and that the world arrangement must establish some control over international capital movements, and, in particular, over the damaging gyrations of short-term capital. Plainly, for some years after the war, provision will have to be made for coping with a serious lack of balance in world balances of payments. This will be especially true of the immediate post-war period of relief. But it should not be hard to project the mutual aid agreements of the war years into this period. The revivification of Europe, the reconstruction of the essential means of livelihood in devastated countries, are operations that can be planned and carried out independently of financial considerations with no call for international monetary mechanisms. But the years of relief will soon make way for the years of reconstruction proper, of reviving international trade, and of growing self-reliance. It will, of course, still be an abnormal period in which balances of international payments will be heavily affected by the after-effects of war. But it will no longer be a period in which the spirit enshrined in Lend-Lease, Mutual Aid or "free gift" agreements will be directly practicable; and it is to master the special difficulties of this period, as well as to meet the longer-term requirements of international trade and investment, that the new world currency plans must be devised.

If the new system is to be international, it must be decided in terms of what standard the various currencies are to be valued and related. The standard can hardly be other than gold. Ingenious schemes have been put forward for constructing a multiple commodity standard in which gold would be included, but their complexity alone seems to disqualify them for this generation at least. The Keynes plan is said to be based on gold, the international unit of account being christened the "bancor." The official American commentary on this plan apparently envisages some form of international gold stabilisation fund.

Once the choice of standard has been made, the mechanism of the new exchange system must be considered. Since it must in its first years be the means of cushioning

considerable disequilibria in the balances of international payments, it must be endowed with appropriate power to extend international credits, credits which will have to be provided by the nations which in those years are likely to have creditor balances arising out of their international payments. Some form of authority—an international bank—will have to be created to provide the machinery for the ultimate clearance of international payments, and for meeting deficits. The bank will need to allow clearing overdrafts, expressed in terms of the international unit to which all currencies will be related (though not in any permanent or fixed relation) in order to allow debtor countries to meet their liabilities without setting in motion the deflationary forces which would be created by similar circumstances under the operation of the gold standard.

This insulation of domestic credit structures from the shocks of abnormal external influences has already been tried by the operations of Exchange Equalisation Accounts, between 1932 and 1939, and it is this technique that must be developed and perfected by adding to it an international credit mechanism. Improvement is particularly needed in the machinery for remedying the causes rather than neutralising the symptoms of exchange disequilibrium. The gold standard provided semi-automatic correctives. The Tripartite Agreement did not provide any such correctives. Despite the provisions it made for consultation among the member countries, every major alteration in exchange rates which occurred during the life of the agreement was in effect a unilateral decision with which the other members were presented as a *fait accompli*. The new system must, therefore, provide the necessary elasticity to deal with the special problems of post-war disequilibrium and the means by which international discipline in monetary affairs can be maintained. But it must do so without the ruthless automatism of the gold standard.

This means that the international bank or clearing centre must be endowed with capital resources, giving it access to equivalent amounts of the currency of the participating countries. These resources would, however, only be essential to get the machinery into working order. Once in operation, the system would work almost wholly with the resources left in the clearing accounts by the creditor countries. Every debit balance must be matched by a credit balance somewhere. Since the system would be devised to cope with a considerable initial disequilibrium in international balances of payments, each member country would have to be given the right to overdraw on its clearing account up to given limits. These limits would have to be fixed for each country; and it would be reasonable to relate each "ceiling" to the aggregate foreign trade of the country in question over a certain base period. As a country approached the limit of its overdraft facilities, it would have to consult with the international bank and undertake to apply the suggestions made to it in order to remedy the maladjustments to which the increasing clearing debit could be attributed. There would, obviously, have to be some measure of compulsion in these directions to debtors. But the causes of disequilibrium may lie as much on the creditors' as on the debtors' side. It would, therefore, be reasonable to submit the creditor countries, too, to the check of consultation whenever their credit balances rose above a level which, again, could be defined in relation to the normal volume of their foreign trade. Moreover, the process of accumulating credit balances could be penalised by the Irish process of imposing debit interest on excessive clearing credits.

The scheme is obviously dependent for its success on the participating countries being prepared to submit themselves to the check of such consultations. They must be willing to divest themselves of some of their autonomy in monetary affairs (as, of course, they did as long as they adhered to the gold standard and played that game according to its rules). It also depends on the member countries

being able, as well as willing, to apply the suggested correctives. The correctives fall into two categories. Under the first can be grouped all measures designed to affect the domestic value of a currency. It is in applying correctives of this kind that the most serious difficulties can be expected. The rigidity of costs, wages and prices will have been increased by the war and its aftermath of social security legislation. Adjustments of this domestic character will, therefore, prove even more difficult to apply than was the case when they were called for by the restoration of the gold standard after the last war. The second type of corrective will be the adjustment of the exchange value of a currency. One of the problems that will have to be considered in the event of an agreed devaluation of a member currency will be that of apportioning the resulting exchange loss. Although the international bank will keep its books in terms of a fictional gold unit of account (as the Bank of International Settlements does to-day), it will actually owe and be owed an amalgam of the currencies of the participating countries. If the currency of one of the debtor countries is devalued, the bank's assets, calculated in terms of "bancors" or some such unit, will have depreciated, and some formula will have to be devised for distributing the loss of any such agreed devaluation among all participating countries.

Although this international clearing system would be devised to neutralise a considerable post-war disequilibrium in balances of international payments, it is evident that it would have little chance of survival if this disequilibrium

were not comparatively short-lived. The success of the scheme is dependant on the fundamental assumption that within a relatively short period—say, four to five years—the participating countries will have returned to a reasonable equilibrium in their balance of international payments, except on long-term capital account. Capital transactions would, for a time at least, have to remain subject to the control of the international authority and, consequently, the participating countries would have to submit their own foreign investment transactions to the test of consultation with the international authority. But subject to this condition, the international clearing system would be compatible with the application of varying degrees of exchange control by the participating countries. It could certainly accommodate itself to complete freedom in exchange operations arising out of normal commercial transactions, leaving to the member countries the technically difficult, but not insuperable, task of differentiating between trading and capital transactions and ensuring that the proceeds of export trade are, in effect, repatriated.

If the post-war world is to achieve exchange stability and at the same time insulate the international system from the shocks and strains which the years of reconstruction will place upon it, some such scheme will have to be applied. The difficulties and prejudices which such a scheme will have to meet and overcome are apparent. But they are difficulties and prejudices that must face any system which attempts to impose international discipline, whether it be political or financial.

Collection of Income-Tax

SINCE 1939 the scope of income-tax has been greatly extended in Britain. The rate of tax has been substantially increased. Additional layers of personal incomes, swollen by the rise in workers' earnings, have been tapped; the number of taxpayers with gross incomes not exceeding £500 a year rose from 3,000,000 in 1938-39 to 9,500,000 in 1941-42. In view of the increase in the rate of tax and of its extension to the very low income groups, the former practice of collecting the tax in two annual instalments—the first nine months and the second fifteen months, after the end of the year, in respect of which tax is payable—has become inappropriate.

The mass of new taxpayers, unfamiliar with income-tax, could hardly be expected to save enough to meet their liabilities at the appointed dates; and, even among salaried persons above the low income groups, the increase in taxation would probably have tested severely the individual's capacity for making provision for his liabilities. This difficulty was foreseen and solved by the introduction, in 1940-41, of the method of deducting income-tax at the source, weekly from wage-earners and monthly from salaried persons.

But a second, and potentially formidable, difficulty remains. Income-tax is collected, not during the year in which the income is earned, but during the year beginning some months after the end of the period during which the liability was actually incurred. In the event of a fall in income, or a complete suspension of income, many taxpayers may find it quite impossible to pay their taxes, while others may find the liability an intolerable burden. This danger has hitherto been disguised by the general upward trend in incomes, and by the absence of unemployment. But this state of affairs can hardly last for ever. After the war many workers will wish to retire from industry; women, and especially housewives, will wish to return to their homes. Are they to be saddled with an income-tax liability for which they have not made, and often could not have made, provision? Are those of them who have accumulated savings to be asked to surrender part or all of them to the tax collector? Will husbands, whose own earnings have declined, willingly shoulder their wives' tax liability in addition to their own? Are the soldiers who have been unable to discharge their pre-war tax liabilities in full to return to their civilian occupations saddled with debts? Clearly, there are all the ingredients of sore trouble. The Government's tax deduction limits—at least £2 a week must be left after tax deduction for a single taxpayer, £3 for a married taxpayer without children, £4 for a married man with one child, and £5 for one with two children or more—are no solution.

On the face of it, the solution of the problem, which is not confined to this country, does not seem to present any major difficulty. One plan which has been sponsored by Mr Beardsley Rumf, chairman of the New York Federal Reserve,

provides for a reform of the tax collection system, whereby tax would be collected on current earnings at the source. Broadly, the tax liability for any one year would be based on the previous year's earnings, but where a sharp change in income appeared certain, the taxpayer would be allowed to estimate his tax on the basis of expected income. As hitherto, taxpayers would make annual returns

INFLUENZA GUARD YOUR STAFF

STAFF is more precious than ever. Safeguard against depleted Staffs by the right use of "SANITAS," the antiseptic and germicide recommended by Doctors and Medical Officers for very many years. It is safe and non-poisonous.

SPRAYING ROOMS—Spray all offices and workshops with undiluted "SANITAS" at least once a day. If an epidemic has already taken hold, spray more often.

Freshens and purifies the air by **RELEASING OXYGEN** and the odour of pine trees into the atmosphere.

MOUTH and THROAT WASH—"SANITAS" contains Thymol, recommended for this purpose by the Ministry of Health.

Keep a bottle in the Staff Washrooms, and post instructions for use.

AFTER WORK—a little "SANITAS" added to the personal wash after work is a wise precaution against spread of germs.

Widely used in Hospitals, Institutions and Public Buildings.

At Chemists, 1/1½ & 1/8½ (incl. Pur. Tax)

SANITAS
THE SAFE ANTISEPTIC



ON REQUEST—Valuable War Memorandum on prevention and treatment of infectious diseases. Write (enclosing 1d. stamp) to: SANITAS CO. LTD., Dept. BCO/3B, 31 Clapham Road, S.W.9.

to the income-tax authorities; annual adjustments could then be made retrospectively on the basis of actual income. Subject to these annual adjustments, taxpayers would be able to "pay as they go." In theory the Ruml plan involves the cancellation of one year's tax liability, for taxpayers as a whole could hardly be asked to pay two years' taxes during the year of changeover from the old to the new method of collection, though temporary civil servants in Britain, for example, have had this unwelcome experience. Existing taxpayers, it has been argued, would pay taxes for one year less than under the present system, for their liability would end at death; and persons with lower incomes in the first year after the changeover would benefit in the absence of special arrangements. But the change does not really involve the remission of a year's taxes, only an alteration in the basis of assessment. Total tax revenue would scarcely be affected by the change.

In America, the Treasury has objected to the proposal, mainly on the ground that its introduction would give a windfall to big taxpayers, whose incomes have fallen since last year. But as one strong supporter of the plan wistfully remarked:

The Treasury would get the same income right up to the end of the world. Come the Day of Judgment and it would take an awful loss, but on the Day of Judgment the Treasury is going to have so much else to answer for that it won't even think about taxes.

As is shown in a Note on page 326, some form of "pay-as-you-go" plan will now surely be introduced in America. The Canadian Government has already introduced a modified version of the Ruml scheme into its new Budget, though this does not provide for a complete cancellation of tax debts. The Budget proposes that half the tax liability on the earned incomes of individuals and on income from investments up to \$3,000, in 1942, shall be "forgiven"; of the

amount outstanding, one-third is to be paid by June 30th, and the remainder by the end of the year. Provision is also made for the elimination of minor anomalies during the changeover to the new method of collection. Since, in contrast to America, taxes are already collected at source in Canada, the introduction of the plan is not expected to involve much inconvenience.

After the formidable barrage that was put up against any plan for deducting taxes on a current earnings basis in the White Paper on *The Taxation of Weekly Wage Earners* (Cmd. 6348), a year ago—the Treasury did not face the real issue at all—the problem has received little attention in this country. The question is no longer whether or not the second step in tax collecting reform, that is, the introduction of a "pay-as-you-go" plan is desirable—the potential dangers of the present system are too obvious for further academic discourses—but one of formulating detailed proposals for submission to Parliament with the Budget next month. Persons in the lower income-tax groups, dependent on dividends, have to submit to deduction of tax at the standard rate which exceeds their tax liability; they have to wait until the end of the financial year for the refund of tax deducted in excess of their liability. The application of some "pay-as-you-go" system—a variation suggested in *The Economist* on February 7, 1942, provided for a comparatively low flat rate of tax, supplemented by a system of family allowances in cash, with a supplementary progressive tax on any but the lowest incomes—to all persons whose income is already deducted at source can hardly be dismissed as impracticable at this stage; nor, for that matter, can the speedier collection of sur-tax, which is now paid two years in arrears. There are undoubtedly practical difficulties; these are present in all administrative changes; but it would be a pity if sheer inertia and lack of imagination were to hold up an overdue change which does not seem to have frightened the Government of Canada.

Finance and Banking

Enough Credit—and to Spare

The authorities' management of the credit position during this Wings for Victory week has been guided by the basic objective of maintaining ample supplies of credit despite the abnormal flow of funds to Government issues. Thus, despite the transfer of some £150 millions to Government accounts through this channel, the money market has seldom enjoyed so carefree a week as that which has just ended. The banks have throughout been well supplied with funds, they have been keen buyers of bills from the market, and the discount houses have, on balance, been paying off loans. In ensuring this ample cushion of credit to take the shock of heavy subscriptions to Government loans, the main instrument has, no doubt, been the pre-encashment of Treasury Deposit Receipts by the banks. It is probable that a considerable part of the £150 millions odd subscribed this week to the various tap loans of the Government has been countered by maturities or pre-encashment of TDRs. The week's nominal maturities amounted to £35 millions, against which no fresh payments had to be made by the banks. Pre-encashments were also on a fair scale. The banks had for some time past been good buyers of Treasury bills maturing the past week, and these holdings also helped the position, while the week's aggregate bill maturities were £5,000,000 in excess of payments for new bills. In any case, the magnitude of the Government's disbursements would ensure that the money collected through the week's special savings effort was returned to the general credit circulation with very little delay. The Bank return reveals the efficacy with which the powerful factors affecting the credit basis have been neutralised. Bankers' deposits show a small fall of £4,512,000 to the still comfortable level of £160,390,000, while public deposits at £4,743,000 are £2,117,000 down on the week and reveal no immobilisation of funds. The note circulation has jumped by £3,883,000 to a new high record of £926,350,000, a movement which makes a particularly unfortunate appearance in this Wings for Victory week.

February Clearing Bank Returns

The seasonal contraction in bank credit continued last month; the February clearing bank returns showed a re-

duction of £51,735,000 in deposits on the total for January. Tax payments were the principal factor, though on this occasion their impact was cushioned by the first really massive use of Tax Reserve Certificates to meet current tax liabilities. In February, 1942, when tax payments were unaffected by this factor, and when subscriptions to these new Government securities were beginning to gain momentum, clearing bank deposits fell by over £137 millions. Last month's run down of deposits was countered by the banks by letting Treasury bills run off. The decline of £49,423,000

	(In £ millions)					
	Feb. 1942	Oct. 1942	Nov. 1942	Dec. 1942	Jan. 1943	Feb. 1943
Capital and reserves	140.3	140.3	140.3	140.9	140.9	140.9
Acceptances, etc.	101.5	90.2	92.4	93.1	94.3	94.9
Notes in circulation	1.5	1.5	1.6	1.6	1.5	1.6
Current, deposit and other accounts	3,084.6	3,424.3	3,471.9	3,628.6	3,576.6	3,524.9
Total liabilities	3,327.9	3,656.3	3,706.1	3,864.2	3,813.3	3,762.3
Cash	317.8	350.1	366.7	390.4	378.9	372.8
Cheques, balances, and items in transit	120.3	117.5	120.6	186.2	124.7	124.1
Money at call	122.0	136.1	134.6	142.2	145.8	153.7
Discounts	111.5	270.5	241.2	197.5	197.4	148.8
Treasury deposit receipts	645.5	744.0	803.5	895.5	935.0	932.5
Investments	1,016.6	1,108.2	1,117.4	1,120.2	1,112.2	1,108.5
Loans and Advances	825.6	773.0	763.0	772.8	758.7	761.5
Investments in affiliated banks	23.8	23.8	23.8	23.9	23.9	23.9
Cover for acceptances, premises, etc.	144.8	133.1	135.3	135.5	136.7	137.3
Total assets	3,327.9	3,656.3	3,706.1	3,864.2	3,813.3	3,762.3

in bills discounted accords with the experience of the discount market which, during the greater part of last month, found the banks exceptionally small buyers of bills. Apart from these two movements, which substantially balanced each other, the latest aggregate clearing bank returns provide no outstanding features. Investments have fallen by £3,728,000, a reaction which promises to be swamped by the bound which this item will make this month under the stimulus of London's Wings for Victory week. Treasury Deposit Receipts are £2,500,000 down on the month, while advances have risen by £2,784,000. Short loans have risen

by £7,837,000, reflecting the larger bill portfolios carried by the discount market towards the close of the month. The cash basis has been reduced by £6,144,000, a movement almost exactly proportionate to the decline in deposits and the cash ratio thus remains virtually unchanged at 10.58 as against 10.60 per cent.

Priority Purchase Certificates

The American "Buy-in-Advance" plans to which reference was made in *The Economist* last week, have had their counterpart in this country. A campaign for a Treasury issue of Priority Purchase Certificates has received the patronage of the *Daily Express*, and broke into the House of Lords this week, where, to all appearances, it has received its *coup-de-grâce* at the hands of the Lord Chancellor. The PPC scheme has followed very much on the lines of the principal American variant, that put forward by Mr Nugent, of the Office of Price Administration. It proposes the issue of low-bearing Government securities which would carry the right to priority purchases of a wide variety of domestic equipment after the close of the war. Viscount Simon, answering a plea by Lord Barnby for official consideration of this scheme, rejected it on a number of counts. The first was on the lofty plane that the introduction of this kind of incentive in the savings campaign would involve a great lowering of our civic ideals. His other counts were more concrete—and seem convincing. The second was that the drawing up of post-war priorities for manufacture and deliveries of such goods could not be left to the choice of subscribers to such securities. "We shall need to make sure that in the post-war world priority should go to the quarters where, on a view of our social and economic needs, they ought to go." The third was that the scheme would involve grave social injustice, since it would favour after the war those fortunate enough to command investible resources during the war. This, thought Lord Simon, reasonably, was not a case in which we should follow the scriptural injunction "to him that hath shall be given." Lord Barnby withdrew his motion. The *Daily Express* has not done likewise.

Stirrings among Building Societies

There is both internal and external evidence that the building society movement is viewing the future with a readiness for reform and adaptation to the new conditions of the post war years. Last week, the chairman of the North Western Counties Association of Building Societies, Mr S. W. Hanscombe, envisaged a vast housing programme after the war which might necessitate the nationalisation of the building societies. He anticipated that the Government would itself undertake such a programme in order to solve the problem of the inequalities of rent which was admitted to prove so great an obstacle to the full implementation of the Beveridge plan. This week Dr A. Mansbridge, president of the Co-operative Building Society, stated at the meeting of that institution that the building society movement would give greatly improved service if some unification and grouping took place within it. He threw out an open invitation to any society of considerable size and influence, to enter into alliance with the society at whose meeting he was presiding. Earlier in the year, Mr W. McKinnell, the chairman of the Council of the Building Societies Association, had urged the need for amalgamation among building societies—partly to ensure greater uniformity of practice, partly to rid the field of a number of moribund societies which were not only a danger to themselves but to others. A reconstruction committee set up by the Building Societies Association and under the chairmanship of Lord Sankey is devoting particular attention to this problem. The authorities, for their part, are fully awake to the need for some tightening of the extremely loose regulations under which building societies operate. The early months of the war provided a test of the societies' position and, in particular, of their liquidity and vulnerability to withdrawals, from which useful lessons have been learned. The strain was overcome without any untoward incident and the position, as shown by the recent recovery of resources of 76 representative societies, is now as sound and liquid as it has ever been. But it would not be surprising if, after the war, special legislation was introduced regulating the activities of building societies and subjecting them to certain restrictions in the distribution of their assets and in the character of their liabilities to the public.

India's Sterling Balances

The facts about India's wartime financial burdens underwent some strange metamorphoses in the course of the debate on the Budget proposals which has occupied the Legislative Assembly this week. The criticisms of the Budget ranged over a wide field—from the assertion that an expenditure of 290 crores of rupees (£217,500,000) imposed on India a burden beyond its capacity, to highly rhetorical questions about what would happen to the Indian currency reserve, now largely consisting of sterling, in the event of defeat for the United Nations. The attack was, therefore, mainly directed against the acquisition of huge sterling reserves over the three years of war. To the plea that this accumulation should not have been allowed to occur, the Finance Member asked the critics if they wanted Britain to interrupt war production and produce civilian goods specially to liquidate the balances which India obtained from British payments for Indian supplies. To the shout of "danger" to Indian currency in the event of an Axis victory, Sir Jeremy Raisman pointed out that, if the United Nations lost the war, India would lose a great deal more than the 400 crores of rupees represented by sterling backing to the currency. Other critics attacked the accumulation of sterling because it threatened a flooding of the Indian market with British manufactures—a strange phobia for a country like India. The highlight of the attack on the sterling accumulation, however, concerned the arrangements to make advance provision out of these sterling balances for the payment of sterling pensions and other obligations. Did this imply, it was asked, that the British were about to quit India? And if so, did it mean that the British expected the new Indian Government to repudiate its liabilities? The gist and quality of the debate, in other words, did not augur too well for the day when Indians will have full charge of their own finances.

Australian Bank Regulations

The December, 1942, issue of the Commonwealth Bank's Statistical Bulletin provides all the data wherewith to judge the first year's working of the Wartime Banking Control Regulations which came into operation in Australia in November, 1941. It will be recalled that the regulations had two main objectives. The first was to make the trading banks' advances and investment policy conform to general principles laid down by the authorities regarding civilian investment. The second was to stabilise the trading banks' profits at around the average of the three pre-war years. The first was to be achieved by submitting all loan and investment operations of the trading banks to the supervision of the Commonwealth Bank. The control of profits was to be effected partly by this supervision of investment policy, and partly by compelling the banks to maintain part of their surplus resources in the form of low interest bearing special deposits with the Commonwealth Bank. The first fact that emerges from the returns of the nine trading banks, covering the twelve months to November, 1942, is that the expansion of bank credit has continued unaffected by the regulations. Against an average of £A350 millions for 1940, the deposits of these nine banks stood at £A375,200,000 in November, 1941, when the regulations were introduced and had grown to £A418,800,000 by November, 1942. Concurrently with this expansion, the item of advances and commercial discounts had fallen over the twelve months to November, 1942, from £A279,300,000 to £A249,100,000. Over the same period, the discounts and advances of the general banking department of the Commonwealth Bank had remained virtually unchanged at slightly over £A20 millions, so that there is no suggestion of the Commonwealth Bank's control of trading bank advance policy having been used for unfair competitive purposes. The control of the trading banks' investment policy has had the effect of stopping the banks' acquisition of longer term Government securities. These investments have fallen from £A62,600,000 to £A60,700,000 in the twelve months to last November. On the other hand, the banks' holding of Treasury bills has from over the same period from £A46,200,000 to £A59,900,000. The principal counterpart to the expansion in bank credit has, however, been the growth of the special war-time deposits with the Commonwealth created by the new regulations. In November, 1942, these totalled £A54,900,000. The deposits bear interest at 1.5 per cent. By directing into this particular channel whatever part of the wartime expansion of credit the Commonwealth Bank may decide, a rigid stabilisation of bank earnings is, in fact, being achieved.

Investment

Specialised Buying

The Stock Exchange had expected that the London Wings for Victory week would lead to a further recession in business and some fall in values. Whatever the cause, these anticipations have been fulfilled, although both movements have been small and the actual change in prices hesitant and irregular. There have been few falls of outstanding importance and the rises have been mainly of a speculative or semi-speculative character. Among them, the most important is that in South African gold-mining shares. The market attributes this solely to the fact that this section has been neglected of late, and finds it natural that, after the run up in diamond shares of last week, "Kaffirs" should have their turn. It seems to be true that such buying as there was, until recently, came mainly from the Cape. The increase in tax on non-resident shareholders should have done something to increase transfers thither, for it is by no means certain that its effect can be offset by Dominion tax relief. It seems probable that the basic explanation of the sudden buying movement is the American plan—as yet unpublished—for the use of gold in a post-war currency equalisation fund. It is not clear that any such plan would necessarily call for gold production, but anything which provides a use for the huge accumulated stocks is of some value to the holder of gold-mining shares. There are in existence plans, both for the settlement of international balances without the intervention of physical transfers, and for the substitution of a mixed parcel of basic commodities for gold. Gold still continues, however, to possess those qualities which have always recommended it as a convenient store of value. The other classes of security to show considerable appreciation are, on the one hand, Japanese bonds and, on the other, some of the Argentine railway stocks and Peruvian Corporation debentures. The rise in the last may well be justified by immediate prospects, but reports from Argentina repeatedly state that concessions so far made, or extended, go no further than to offset old disabilities, or are themselves offset by new ones. Until there is a radical change in the official attitude to foreign capital, railway stockholders have not a great deal to hope for. As to the rise in Japanese bonds, there is an absolute assumption in investment circles that a beaten Japan will honour its obligations as and when it is able to do so. It is true that Japan always did so in the past, but whether this policy will be resurrected as soon as the ability returns is another matter. The argument which causes Japanese bonds to rise a point on every reverse—and two or three on such an event as the destruction of the convoy—appears to be that the sooner war is over, the less completely will Japan's power of recovery be broken. In none of these sections has the demand for stock been really substantial, and it is evident that the investor is off his feed. It is not the first time that professional operators have turned to outside interests in the hope of snatching a quick profit, but, after the experience of last autumn, it seems improbable that the movement into overseas securities will become widespread.

Commission Rebates

The Committee of the Stock Exchange continues its policy of tightening up conditions under which rebate of commission is accorded to agents. The latest case in point is of little direct interest to the public, since it relates to the difference in rebate granted to banks as such, and to their trustee departments. In the former case, the rate is one-third, and in the latter a quarter. Cases have occurred in which the latter have claimed the full third, and where the bank has passed business to a broker which, properly speaking, originated from the trustee department. The Committee is taking action by putting the trustee departments of banks on the General Register of agents, along with the Public Trustee, and by calling the attention of the offending bank to the fact that it is not entitled to pass the business of the trustee department to a broker as its own. It is plain, from the high rebate still given to banks, that the exchange regards them as of special value as channels of providing business and of affording protection against possible defaults of clients unknown to the broker. This action may be presumed to throw some light on the probable attitude towards another recent development, namely, the attempt of a number of solicitors to contract out of the

obligation laid upon them in the judgment in the Hichens case, discussed in *The Economist* of December 12, 1942. As was then suggested, some solicitors have written to brokers stating that they must be considered as acting always as agents, and not as principals, unless there is a specific undertaking to the contrary. It is understood that the Committee is taking legal opinion on the matter, but no action is contemplated unless the practice becomes more common. It is quite evident, however, that the broker will not be prepared to give a rebate of commission merely for the introduction of the business. The days of that method of obtaining quantity of business, irrespective of its quality, have passed, it may be hoped, for ever. It is no longer the case either that the rebate is a payment to the agent merely for doing part of the work. The broker now expects the agent to "vet" his own clients—as the good broker does—and only to do business with people who are both willing and able to meet their obligations.

London Electricity Scheme

The plan of the London and Home Counties Joint Electricity Authority for the consolidation of all power producing concerns in its area came as a minor shock to the market. The technical merits of the scheme are discussed on page 338. The rather vague suggestions as to the treatment of share and debenture holders are another matter. Briefly, the plan aims at transferring some 75 separate undertakings to a central authority which would take over all debenture stocks. Does this mean that present contractual obligations would be honoured? The rights of shareholders would be "satisfied" by the issue of electricity stock. No allowance would be made for goodwill or future profits, but the possibility of distributions from reserves is mentioned. Apparently, the actual amount of stock to go to shareholders would correspond with the ascertained value of the undertaking, less all liabilities transferred to the new authority. Evidently, everything would depend on ascertaining the value—exclusive of goodwill—and this is not an easy matter. The general opinion appears to be that the scheme will not receive official sanction, but, as some such scheme may eventually be put into force, it is as well to state the position of preference and ordinary shareholders clearly. The London Electricity Acts of 1925 extended the rights of the principal companies until December 31, 1971. That did not guarantee the companies' continued existence as fully independent units. It did create a presumption that the terms of issue of the various stocks would govern the shareholders' rights until that date. The same argument can be applied to those employees of the companies who are under contract. If it is desired to alter this arrangement in the national or regional interest, then the nation or the region, and not the individual shareholder or employee, or even the industry concerned, should bear the burden of compensation insofar as it exceeds the charge which is felt desirable on the interests acquired. What is reasonable compensation will not be easily determined, but it should approach as closely as may be to the market valuation which would exist if the full rights were preserved. If these principles, or something very like them, can be adopted, the business of co-ordination—insofar as this is desirable—will make rapid progress. Meanwhile, the impressive title of LHCJEA may easily lead the uninitiated to attribute more weight to its recommendations on the compensation question than either its size or its accomplishments would warrant.

Canadian Pacific Progress

The issue of the full profits statement of Canadian Pacific for 1942 will do nothing to dissipate the general disappointment caused by the earlier announcement that once again there is to be no payment on common stock. The statement shows the profits position to be much more favourable than was thought at the time of the dividend announcement and it is clear that it is managerial policy alone—however enlightened this may ultimately prove to have been—which prevents the resumption of equity payments. A complete analysis of the profit position over the past three years is provided by the following table. Despite

Company Notes

Courtaulds' Accounts

As was suggested by the preliminary statement, discussed in *The Economist* of March 6th last, there is a marked reduction in Courtaulds' total profits for 1942. Disclosed earnings are down from £5,360,007, after war damage contribution of £157,850, to £4,942,753 before this provision which in the latest year is charged to reserves. The decline in tax liability from £2,876,459 to £2,733,271, and the reduction in depreciation provision from £1,132,500 to £947,352 do not compensate for the drop in earnings so that the 7½ per cent payment on ordinary capital is covered by a rate of 8.8 against 9.6 per cent. The directors state, however, that payments to staff funds have been charged against profits in 1942, whereas for 1941 they were deducted from reserves which received £80,000 for this purpose in that year. It is not clear from the balance-sheet whether there has been a further reduction in turnover. Mr. Samuel Courtauld emphasises that the company is now employed almost entirely on Government contracts, and that output

	(In '000's)		
	1940	1941	1942
Gross earnings	170,965	221,446	256,864
Working expenses	135,325	175,489	208,676
Net railway earnings	35,640	45,958	48,188
Dividends received	4,280	4,623	4,621
Net interest, etc.	2,709	4,962	7,486
Steamships after depreciation	3,076	2,788	2,888
Hotels after depreciation	628	1,009	866
Earnings for fixed charges	46,332	59,340	64,049
Fixed charges	25,381	24,229	22,956
"SOO" guarantees	806	749	739
Available for pref. div.	20,145	34,361	40,354
Paid on preference	5,043	5,043	5,043
Specific reserves*	10,000	1,670	847
Other debits†	2,410	1,308	3,601
Profit and loss balance	144,045	170,386	201,250

* Against Minneapolis St. Paul holding in 1940, and exchange adjustment in 1941 and 1942.

† Including \$649,076 in 1941 and \$3,576,565 in 1942 written off lines abandoned and property retired.

for common stock from \$29,318,000 to \$35,311,000. The greater part of this is carried forward, but the charge for lines abandoned is up from \$649,076 to \$3,576,565, and the total debit from \$2,978,009 to \$4,446,938. Whether or not the extreme conservatism of the board's distribution policy is in the true interests of equity holders, only the events of the next decade can show. The desire of common stockholders to make hay while the sun shines is understandable. They undoubtedly have a strong moral claim to some financial return before the onset of the next slump—if the trade cycle succeeds in defying elimination in the post war world.

The Building Societies Prepare

The past year has seen a definite change in trend in building society finance. Firstly, the movement appears to have increased its total resources, for the first year since war began. By inference (although no figures are available), this suggests a significant change in the public's attitude towards its holdings of building society deposits and shares; withdrawals—never calamitous at the worst—have substantially abated. According to figures compiled by *The Building Societies' Gazette*, 76 leading societies last year increased their total assets from £487.4 millions to £493.0 millions. (These figures, presumably, do not include the *Halifax Building Society's* position at January 31st last, which shows an increase in total assets from £124.9 millions to £126.2 millions.) Repayment money is coming in steadily, and accounts for a further reduction of £22.0 millions in outstanding mortgages to £386.2 millions. Return money has been largely devoted to a further increase in investments and cash. Indeed, the overall percentage of liquid assets of these societies is now well over 20 per cent of the whole. For the *Halifax*, it is as high as 30 per cent. Compared with a pre-war ideal of 10 per cent—and in practice often less—this one-fifth ratio of liquid assets has much to commend it, even though it may not be very comfortable from the revenue point of view. No doubt, much of this increase in liquid assets represents a preparation for post-war reconstruction. There are good arguments, however, that the societies should regard an appreciable part of this increase as a permanent strengthening of their finances. They will, after all, be prepared to accept new money for new lending in the post-war period. Financial strength should assist the movement in its search for improvement in housing standards.

	Years ended December 31,		
	1940	1941	1942
Profits*	4,434,437	5,360,007	4,942,753
Depreciation	1,143,045	1,132,500	947,352
Taxation	1,764,808	2,876,459	2,733,271
Preference dividend	230,000	200,000	200,000
Ordinary shares:—			
Earned	1,296,584	1,151,048	1,062,130
Paid	1,104,000	900,000	900,000
Earned %	9.4	9.6	8.8
Paid %	8	7½	7½

Contingencies

Carry forward

* After war damage in 1941 only. If this item were deducted from 1942 profits, the earned percentage would be 8.0.

† Employees' Pensions Reserve.

can hardly be maintained in the face of any further contraction in the labour supply. The balance-sheet shows a rise in stocks from £2,930,967 to £3,506,560, but how far this is due to the rise in the price level is not disclosed. Net loans to associates and subsidiaries are down from £1,127,255 to £841,194, while net liquid assets are slightly higher at £41,497,139 against £40,154,572. The striking rise in holdings of Government securities, less special reserve, from £11,454,736 to £39,271,438—with a market value of £40,882,197—is, of course, due to the investment of the £27,776,000 received from the Government on account of the acquisition of American Viscose. Mr. Courtauld states that a much wider research organisation is to be put in hand as soon as possible, and that extension of interests in new textile fields and other allied materials, including plastics, is under consideration. The prospect for a satisfactory recovery in net earnings when present restrictions are removed remains encouraging. The £1 ordinary stock, at 47s. 3d. ex dividend, yields £3 3s. 6d. per cent.

Union Cinemas

In 1942, profits of Union Cinemas, whose equity capital is wholly owned by Associated British Picture Corporation, showed a substantial improvement on those of the previous year. After payment of EPT in the later period, there is, however, a decline in the published figure from £591,746 to £423,511. Depreciation is maintained at £60,000, but there is a reduction in income tax liability from £250,000 to £170,000, and in war damage from £22,000 to £4,834. Thus, earnings for dividends are reduced only from £172,482 to £129,353. An amount of £9,861 is earmarked for payment of three months' dividends on both classes of 6 per cent. cumulative preference capital—subject to the passing of the funding scheme; £100,000 is transferred to general reserve against £150,000 to contingencies, and the carry forward is raised from £62,490 to £81,982. The continued advance in gross revenue has been accompanied by a modest improvement in the liquid position of the company. The excess of current liabilities over liquid assets is reduced from £560,118 to £527,339 excluding bank overdraft. There has been a rise of some £90,000 to £343,699 in net loans from subsidiaries and associates, but the bank loan is some £190,000 lower at £646,422 and the total of reserves and carry forward is up from £440,318

to £619,810. There is no reduction in the total of the suspense account at £2,968,986, but the overdraft of a subsidiary guaranteed by the parent is £34,647 lower at £27,084.

The position is clearly ripe for the introduction of a funding scheme, to eliminate preference arrears, and that proposed by the management appears satisfactory and straightforward. Gross arrears for the five years ending October 1, 1942, on both classes of capital amount to £394,444. The directors propose to issue 5 per cent Redeemable Income Certificates to the total of £197,222, equal to the net amount of the arrears, to preference shareholders in the proportion of 3s. of certificates per £1 preference share in compensation for cancellation of past dividends. Redemption will be by operation of a 3 per cent sinking fund as from 1944. The company will have the right of repayment at 101 on or after October 1, 1962. This will mean initially a prior charge on profits, before payment of current preference dividends which are to be resumed, of £9,861 for interest on certificates and, from 1944, of sinking fund charges initially amounting to £5,917. This arrangement provides for the spreading of arrears, together with interest thereon, over a reasonable number of years without variation of the contractual rights of any of the parties concerned. If operating conditions enable the management to fulfil these obligations, the scheme should be completely satisfactory. For the duration of the war, EPT will provide a decisive upper limit to net revenue, but earnings at last year's level would cover interest on the certificates and preference dividends with a margin of £80,000 for reserves and equity dividends. The £1, 6 per cent, cumulative 2nd preference shares, at 21s. 3d. would yield £5 13s. 7d. per cent on the full payment.

BTH Profits

The preliminary statement of *British Thomson-Houston*, the electrical engineering concern controlled by Associated Electrical Industries, shows a rise in profits after all tax from £559,776 to £562,883 in 1942. There is a small reduction in depreciation from £229,667 to £224,950, so that equity earnings may be estimated at £206,758 against £191,103, representing 20.7 against 19.1 per cent. There is no increase in the customary 7 per cent dividend. General reserve receives £100,000 as before and the carry forward is raised from £217,413 to £254,171, the highest level of the past decade. On the face of it, the preliminary figures suggest that there may have been some increase in production. Last year, the chairman pointed out that the concern was working to capacity, but that the management was still striving to raise output. The £1, 7 per cent cumulative preference shares, at 35s. yield £4 1s. 8d. per cent.

Inveresk Paper Improvement

The 1942 accounts of *Inveresk Paper* make more encouraging reading than those of the Bowater-Lloyd group. The company's total profits are up from £204,589 to £251,325, while consolidated earnings have jumped from £678,211 to £879,911. Most of the rise is, of course, absorbed in taxation, which requires £426,516 against £291,827 from the group as a whole and £110,000 against £78,000 from the company. None the less, there is £15,548 against £535 available for dividends on the increased equity capital, and the management have decided to restore the 6 per cent dividend paid in the three years 1938-40, but dropped in 1941. The surplus is added to the carry forward, which is raised from £54,297 to £62,619. The balance sheet shows a reduction in net loans to associates and subsidiaries from £246,873 to £156,733, reflected in a rise in holdings of cash and Government securities. The consolidated statement shows a rise in net liquid assets from £2,571,302 to £2,748,098, for which higher cash items are again mainly responsible. Stocks of the group are reduced from £530,972 to £517,998, despite the easing in the raw material supply position to which the chairman, Mr B. H. Binder, mainly attributes the rise in profits. The group has now been able to bring into use machinery capable of utilising materials, such as straw, available in this country. As in the case of the Bowater-Lloyd group, benefit has also been derived from the increase in selling prices in April last. Costs are, however, still rising, so that there must continue to be some difficulty in maintaining the rate of the ordinary payment. The chairman gives considerable attention to the further rise in holdings of cash assets. He points out that the whole of the outstanding 6 per cent first mort-

gage debentures, totalling £421,679, could now be redeemed on six months' notice. As substantial sums will be required for deferred repairs and reconstruction when the war is over. An attempt will probably be made to convert a part of the issue. But the right to convert into ordinary shares does not expire until August 1st, when the position will be reviewed. The 1s. ordinary shares, at 1s. 6d. ex dividend, yield £4 per cent.

Borax Results

For the fourth successive year, the report of *Borax Consolidated* to September 30th reveals a rise in trading profit, although the improvement from £636,900 to £650,586 is considerably less than in the two preceding years. While expenses are virtually unchanged, taxation requires £30,000 more at £245,000, and after meeting the preference and preferred dividends, the board have reduced the allocation to War Contingency reserve from £50,000 to £30,000. Treating this as a cost, since it is included under current liabilities in the balance-sheet, equity earnings are slightly higher, representing 8.1 against 7.6 per cent. on the deferred capital, which again receives 7½ per cent. A small addition to the carry forward raises it to £260,999. It is interesting to note that the improvement arises primarily from the increased demand for the company's products in the United States, whereas at home, rationing has reduced normal sales, with only partial compensation from rising official demand. To forestall further price increases, and to anticipate growing demand, the company has added substantially to its stocks, which now total £767,418 against £519,219. This explains in part the reduction by a third in cash to £269,677, slightly offset by a new holding of £40,000 tax reserve certificates. Other items are not greatly changed, net liquid assets having risen some £45,000 to £188,519, although net loans to subsidiaries are reduced by over half to £32,936. An increase in the book value of mines and deposits of some £69,000 to £3,456,582 arises from the acquisition of new properties, of which £62,000 was already represented by debenture holdings, the latter item now being reduced by this amount to £144,281. With reference to the immediate future, the chairman states that figures of the first five months' trading show a small decline in home and export trade, although the American demand has been well maintained. Mr Abel Smith points out that the probability of increased taxation in the States will affect the parent company's revenue. Nevertheless, the current yield of £4 7s. 6d. on the £1 deferred shares, quoted at 34s. 3d. ex dividend, indicates no little faith in the post-war activity of the company.

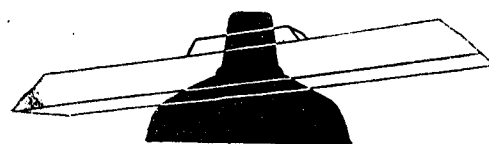
Canadian Eagle Accounts

The *Canadian Eagle* accounts for 1941 show that no decision has yet been given in the matter of the company's claim to a refund of United Kingdom income tax in view of the incidence of double taxation. While this matter is pending, there is again no dividend from the leading subsidiary, *Eagle Oil and Shipping*. Thus, the income of *Canadian Eagle* at £160,313 against £140,775 is once more totally inadequate to meet the customary dividend charges. After 1st preference and *Mexican Eagle* 1st preference payments are met, there is £12,557, against a deficit of £36,676, for participating preference and ordinary capital. The former charges are met and the 6d. per share equity dividend repeated at the cost of transferring £364,056 from general reserve, leaving a sum of £87,197 against £73,510 in 1940 and £436,140 in 1939 to be carried forward. The directors point out that the draft on reserves is more than covered by the rise in undistributed profit of *Eagle Oil and Shipping* from £488,346 to £924,308. It is to be hoped that the income tax dispute will be settled in the near future so that the distribution of accumulated earnings can be completed. Both *Canadian Eagle* and *Eagle Oil and Shipping* show a welcome rise in trading profits although the purchase and sale agreement with *Mexican Eagle* remains in abeyance pending the release of that company's properties by the Mexican Government. The *Canadian Eagle* balance sheet shows a decline in net liquid assets from £554,736 to £496,837, to which a reduction in debtors and stocks and a rise in creditors have all contributed. The balance sheet of *Eagle Oil and Shipping*, however, shows a rise in net liquid assets from £5,905,334 to £6,679,085. The directors announce that, despite hostilities, exploration was continued in four Latin American republics. The ordinary shares of no par value stand at 10s. 7½d., at which they yield some £4 16s. 4d. subject to an undisclosed rate of tax.

LIGHTING for VISION

Reflectors are not installed in a factory for the sake of the metal or glass; their sole purpose is to provide lighting for vision, and the lighting installation should be judged by the standard of vision provided. Benjamin Lighting is planned to suit the needs of all operatives at their tasks; is planned for either works staff or contractors to instal; is planned to be an aid to maximum production and to good relations with workers.

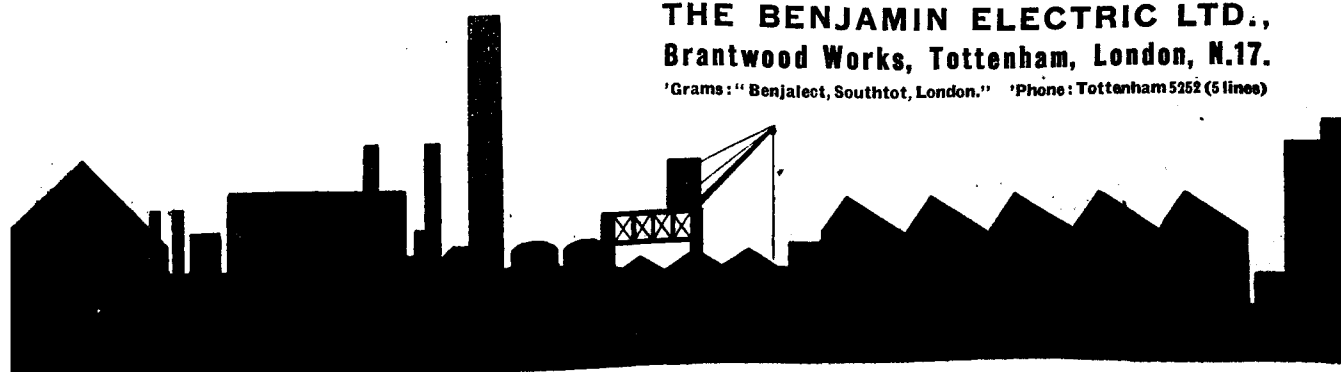
From a full range of equipment appropriate fittings can be selected for any situation. Each fitting is the result of careful design, long experience and constant check; each fitting provides the most efficient light output directed in a specific manner; each fitting is made to stand up to long use without deterioration. There are units for tungsten lamps, discharge lamps or fluorescent tubes, though the latter must be conserved to-day for use in connection with essential work only.



There are Benjamin Engineers stationed in all parts of the country fully qualified to advise on any industrial lighting problem. They are at the service of any factory executive.

BENJAMIN LIGHTING

THE BENJAMIN ELECTRIC LTD.,
Brantwood Works, Tottenham, London, N.17.
Grams: "Benjalec, Southtot, London." Phone: Tottenham 5262 (5 lines)



Industry and Trade

Road Haulage Scheme

Last November the Ministry of War Transport announced the details of a road haulage scheme designed to secure still further economies in the consumption of rubber and petrol without impairing the efficiency of this means of transport. The scheme was described in *The Economist* of November 7th. Briefly, it envisaged the transfer of as much traffic as possible from road to rail; the concentration of the remaining road traffic on the fewest possible vehicles; and the maintenance of the reserve of laid-up vehicles in serviceable condition, available for immediate use in case of need. It was to be operated through a regional organisation; there were to be twelve divisions coinciding with the civil defence regions; each division was to be subdivided into suitable areas and vehicles grouped into units of about 50 vehicles, each centred on a firm with the requisite facilities. Unit controllers, drawn from the industry, were to be responsible for ensuring that no traffic is accepted which should be carried by some other form of transport; these officers are to collaborate closely with the regional transport commissioners who supervise the issue of fuel to the units. Some haulage undertakings, to be selected by the Ministry, with the advice of the regional transport commissioners, were to be taken over bodily to provide operating facilities for the organisation; compensation was to be on the basis of the net profits of the undertaking concerned for the average of any two accounting years within the period from January 1, 1935, to March 31, 1939, subject to appropriate adjustments for any change in the capital value of the assets employed in the business. Other hauliers who wish the Ministry to take over their vehicles must apply to the regional transport commissioners, and must satisfy them that the lorries are in good condition; such vehicles are to be hired on the basis of a fixed schedule of rates. To begin with, the scheme is to be applied to long-distance traffic only, but its extension is envisaged.

The initial reception of the scheme by hauliers was not unfavourable, subject to the arrangement of financial terms satisfactory to the industry. The storm broke when the Ministry of War Transport issued the details of the terms for taking over whole undertakings. On February 25th, the Standing Joint Committee of Road Hauliers' National Organisations, emphasising their willingness to collaborate with the Government in the national interest, passed the following resolution:

... we are satisfied that the scheme will not achieve these objects (economies in fuel, rubber and labour) and will reduce the efficiency of the road haulage industry. We feel that in the circumstances, and having regard to the fact that the national interest must come first, the agreement cannot be signed in its present form and that an approach should be made to the Ministry with the assistance of MPs in an endeavour to secure the amendments necessary to ensure efficiency and further to see that the whole financial arrangements both with controlled undertakings and in respect of hired vehicles are settled satisfactorily before any operator is asked to sign an agreement.

The SJC's opposition, however, was unable to impede the introduction of the scheme. Indeed, when it passed its resolution, 44 of the 174 main undertakings (several controlling more than one haulage business) first approached by the Ministry with a view to taking them over as the nuclei for area units, had signed agreements with the Ministry, while 81 had notified their acceptance. (The total number of undertakings required as nuclei for area units is likely to be about 300.) The scheme, in fact, has found the support of a large proportion of individual hauliers, and, not surprisingly, the SJC had to face the facts. While maintaining its criticism of the scheme, it decided on March 5th that

... the question of participation in the scheme must be a matter for each individual operator, after consultation with his professional advisors.

Though the Ministry may be faced with further difficulties about the rates of hire which it has decided to offer for vehicles taken over individually for inclusion in the units with the fleets of the undertakings taken over bodily, the application of the scheme is now no longer in doubt. Inevitably, the financial terms offered by the Ministry to the industry have produced the usual crop of "hard cases." But if the basis of the scheme is sound, delay and obstruction are hardly in the national interest.

London Electricity Board

The London and Home Counties Joint Electricity Authority—charged, as its chairman pointed out, with the special statutory duty, under the Electricity (Supply) Act, 1919, of providing or securing the provision of a cheap and abundant supply of electricity throughout the London and Home Counties Electricity District—has recommended the transfer to public ownership of the 75 electricity undertakings within its district. The proposal has been made on the grounds that

by bringing together all the undertakings into the ownership of one competent public authority representative in its constitution, and by reconstructing the capital finances of the industry . . . the way is wide open to bring about all the reforms that for so many years have been regarded as necessary if the industry is properly to carry out its real function.

The proposal, though it has no official sanction, obviously needs careful examination in all its aspects. Mere amalgamation of 75 undertakings does not necessarily ensure the speeding up of standardisation, rural electrification and other desirable improvements. If it would, it would be welcome—on these grounds at any rate; but it might have the reverse effect. This is not to condemn the proposal; but merely to emphasise the need for an independent investigation of its economic merits and of the suggested terms of amalgamation.

Courting the Chancellor

This is pre-Budget time, when industry and trade are courting the Chancellor of the Exchequer in order to secure special favours. Last week he received a joint deputation from the Federation of British Industries and from the Associated Chambers of Commerce. Mr F. R. M. de Paula, on behalf of the FBI, repeated the plea for tax reforms which had already been sent to the Chancellor in January in the form of a memorandum and was discussed in *The Economist* on January 30th. One of his main points was that profits retained in the business should not be subjected to the full rate of tax on the grounds that an era of high taxation was in prospect and that savings which in the past had provided a flow of fresh capital into industry could not be counted upon in future. Mr F. Bower, speaking for the ACC, suggested that loss in the value of capital equipment used up in the course of manufacture was a proper element of costs and that depreciation should be allowed for buildings, patents, trade marks and preliminary and development expenses of no permanent value. There is a good deal of justification for the view that income tax allowances should be used as an instrument for securing efficiency and progress in industry, but any reform of the present system must be considered in the context of general economic policy. Sir Kingsley Wood politely promised to give careful consideration to the proposals put before him.

Shipbuilding

The rate at which the shipping resources of the United Nations can be expanded will largely influence their military operations. It is a dual question of reducing losses and speeding replacements. Shipbuilding affects the one as well as the other, because the strength of naval escorts is a major factor in the defence against the U-boats. Public attention has centred on the speed of new ships, which was discussed in a Note in *The Economist* last week; other aspects of shipbuilding, when they have not been ignored, have tended to be viewed only in their bearing on this controversy. In introducing the Navy Estimates in the House of Commons last week, the First Lord of the Admiralty threw fresh light on the British shipbuilding programme, which is still a vital part of offensive preparations in spite of the great dependence on America for the production of merchant ships. Mr A. V. Alexander emphasised the many sides to the demands on shipbuilding labour and plant for the production of all classes of warships, from minelayers and the new frigates upwards; for the conversion of merchant ships for military and naval purposes—the North African landing involved alterations to over 300 merchant ships; for naval and mercantile repairs—at one period of 1941 the latter amounted to 2,600,000 tons; as well as for the building of merchant

ships. The First Lord revealed that in recognition of the size of the American programmes

it has been decided that it will be profitable, since a ship saved is better than one replaced, to concentrate in this country more upon increasing the output of escort ships even if this interferes to some small extent with our merchant shipbuilding.

He mentioned that the corvette fleet now numbers "well over 200," in spite of losses. The development of shipyards, chiefly the installation of welding equipment, heavier cranes (necessary for prefabrication) and machine tools, has involved an expenditure of £4,500,000. The number of shipyard welders and trainees have increased by 33 per cent since the end of 1941. So far as labour is concerned, plans for this year include the addition of "substantial numbers of trainees" and the transfer of workers from other industries to shipbuilding and marine engineering—a matter, it may be added, that would be facilitated if wage differentials were less marked. Mr Alexander expressed dissatisfaction with the proportion of women employed, which, he said, "ought to be larger than it is." Shipbuilding is a conservative industry in many ways in this country, and shipyards that have lagged in this matter should not be allowed to continue to do so.

Coal Output in February

The output of saleable coal during the four weeks ended on February 20th was again below the standard of 4,161,800 tons a week adopted as a basis for the bonus scheme and below the level of the corresponding period last year. As in January, only three of the 25 mining districts qualified for the bonus:—

WEEKLY OUTPUT OF SALEABLE COAL (Weekly Standard Tonnage 4,161,800 tons)			
Four Weeks ended*	1941 tons	1942 tons	1943 tons
September 5th	4,080,200	3,978,000	
October 3rd	4,146,600	4,076,100	
October 31st	4,131,400	4,124,500	
November 28th	4,196,650	4,126,500	
December 26th	3,853,400	3,880,100	
January 23rd	3,824,800	3,813,400	
February 20th	4,028,000	4,016,400	

* The actual dates given relate to 1942 and 1943.

Had it not been for the mild weather, the absence of transport difficulties and the success of the "Save Fuel" campaign, Great Britain might well have been faced with a serious coal shortage in the early part of this year. But the fact that the winter has passed without a serious crisis, in spite of a fall in production compared with a year ago, does not justify complacency. On the contrary, the task of improving the productivity of coal-mining is as urgent as ever.

Coal Output Bonus

At the end of the present month, the Greene Board of Investigation is due to undertake a general review of the operation of the coal output bonus scheme which has been in force since September 6, 1942. The scheme has, on the whole, yielded disappointing results. In reviewing it, the Board might well consider the introduction of a pit or group standard instead of a district standard. The individual pit standard was originally recommended by the Greene Board, but was not adopted, in deference to the wishes of the two sides of the industry who held that it would be unfair in view of the inequalities in different collieries. But it is clear that a pit basis would offer more scope for individual incentive and emulation than a district target, and many pit production committees are believed to be in favour of this method. The present scheme provides no reward for a particularly good pit in a bad area. The case was recently quoted of 33 miners at a colliery in the Barnsley district of Yorkshire who have produced 62,000 tons of coal in the past six months, between them realising the remarkable average of 10 tons a day; absenteeism in this pit during the same period was 10.77 per cent, as compared with the figure for South Yorkshire of 16.86. The introduction of a pit standard might well encourage miners in other collieries to make similar efforts to improve their outputs. The Greene scheme also provided for revision at the end of six months of the standard tonnages of any district, on application from either of the two district associations. There have, in fact, been special adjustments of the standards applied in three districts—Nottinghamshire, Cumberland and Ayrshire—and in each case the standards were reduced. It has been suggested that all the district standards might justifiably

be lowered, since they were based on the highest district outputs in any period of four consecutive weeks in the first half of 1942. It should, however, be noted that the national standard output of 4,161,800 tons compares with a target of 4½ million tons adopted in April, 1941.

Retail Trade

The outstanding feature of the retail trade report for January, published in the *Board of Trade Journal* on March 6th, was the large drop in the average daily value of retail sales of apparel. The index (1937=100) dropped from 117 in December to 79 in January. In January, 1942, it was 108. In January, 1942, new coupons became available; the current 20 coupons have been in use since last October. This probably accounts largely for the difference, which may have been influenced as well by the absence of the usual January clearance sales. The drop in the volume of sales is clearly brought out by the fact that the index is the

PERCENTAGE CHANGES IN AVERAGE DAILY VALUE OF RETAIL SALES FROM PRECEDING YEAR

	Food and Perishables	Non-food Merchandise	Total
Feb., 1940-Jan., 1941	+2.7	+4.2	+3.3
" 1941- " 1942	-1.5	-5.4	-3.2
" 1942- " 1943	+3.5	-0.1	+1.9

lowest since February, 1940, before the purchase tax, and when prices were lower. The drop in the value of sales was repeated, though not to the same extent, in all departments. The index for all sales stood at 99, compared with 123 for December, 1942, 106 for January, 1942; the average for the year to December, 1942, was 108. The accompanying table shows the percentage changes in the average daily value of retail sales from the preceding year, for the last three years.

Food Ration Changes

For the beginning (on March 7th) of the new four-weekly food rationing period a number of small changes were announced. The most important involves priority supplies of shell eggs. Mothers, who were previously entitled to priority supplies for a year after the birth of a child, become ordinary consumers, and instead children aged between six and eighteen months will receive the priority allocation of three eggs a week. This is a logical step, since children eat eggs from six months. Application has to be made to a food office. The purpose of the reduction of the points value of tinned milk is said to be to clear stocks before the new season's pack becomes available. It is a pity that it was not on a lower pointing during the winter when supplies of liquid milk were smaller. The points value has been reduced from 10, 8 and 6 per tin, according to size, to 2 and 1 points. Retailers are being permitted to obtain replacements of stock to compensate them for loss of points. Vegetarians and diabetics who qualify for the special cheese ration on nutritional grounds, and who fall within any category of workers entitled to the special ration, will, in future, receive two rations. The sweets and chocolate ration remains at 12 ozs. for the four weeks. The Ministry of Food announced that the greater part of the home-grown soft fruit crop this year will be manufactured into jam. Some changes in the maximum retail prices of offal come into effect on March 27th. From March 14th, the maximum allowance of milk to non-priority consumers will be raised by ½ pint to 2½ pints a week. The fifth allocation of shell eggs this year has begun. Barley has been added to the national loaf, and, with oats and rye, constitutes nearly 10 per cent of it. Fish has been more plentiful, and the allowance to catering establishments has been raised by a quarter.

Workers' Canteens

Rather than apply a fully differential rationing scheme to different categories of industrial workers, such as is adopted in Germany or the Soviet Union, the Government has preferred to encourage the development of industrial canteens, at which workers can receive at least one cheap and nourishing meal a day, without surrendering coupons. There are now some 7,500 works canteens in existence, and the adoption of this policy makes it all the more important to ensure that the meals provided are adequate in quantity and of a satisfactory nutritional standard. The need for improvements in efficiency, service and conditions

(Continued on page 344)

COMPANY MEETINGS

LONDON MIDLAND AND SCOTTISH
RAILWAY COMPANY

THE RAILWAY AND THE COMMUNITY

ESSENTIAL IN TRANSPORT SYSTEM

The twentieth annual general meeting of the London Midland and Scottish Railway Company was held at Euston Station, London, N.W. 1, on the 5th instant.

Sir Thomas Royden, Bart., C.B., chairman of the company, presided, and in the course of his speech said:—

Ours is a business that knows no rest, no stop. It covers every form of transport, by rail, by road, by sea, by air and by canal—and for its successful operation it includes almost every form of human endeavour. The ramifications of a great railway like ours are widespread and call for a high degree of skill in management and operation. That in spite of the special difficulties that present conditions necessarily produce, with increased and increasing demands for transport on the one side and reduced means available for meeting them on the other, our railway system has never failed to respond to every call made on it, is a triumph of organisation. The railways have shown themselves to be a highly efficient instrument of transport in war as well as in peace.

One would suppose, and all reasonable people would expect, that in view of their importance to the community the railways would receive at all times sympathetic treatment from His Majesty's Government. They have proved to the hilt that they are an essential element in the social and industrial life of this country. The national war effort, for example, would have been dangerously handicapped were it not for the fact that in the railways the country possessed a highly organised and efficient transport machine in first-rate physical condition. The Secretary of State for War explained to Parliament only last week that the railways had met most of the rail transport needs of the Army. So far, however, from being helpful, successive Governments have made the work of the railways more and more difficult.

Large portions of the railway did not even pay the cost of operation. Regarded simply from the point of view of our personal advantage it would have paid us to abandon whole sections of the line. We, however, knew that to do so would have serious repercussions in the event of war. We therefore carried on, though greatly to our disadvantage, and it was fortunate that we did so. Today these sections are of primary importance: which reflection is so far our only reward.

POSITION IN NORTHERN IRELAND

I referred earlier to the results of working the company's railway in Northern Ireland. It is carrying a very heavy traffic and carrying it with great success despite the damage to it by enemy action, which has now been made public. As late as the summer of 1939, while we were busily engaged in completing our preparations for what happened in September of that year, a joint committee of the Houses of Parliament in Northern Ireland stated that the railways there were not essential to troop movements in time of war. The position, of course, is that the railways of the company in Northern Ireland, like those in Great Britain, have been invaluable in the war effort of the nation. The fact that the Northern Ireland figures are separately available illustrates the position there, but it is in no way different from that in other parts of your undertaking in Scotland and elsewhere. In the north of Scotland before the war, owing to the lavish expenditure of public money on providing roads and the laws regulating railway charges, the

continuance of many miles of railway had no economic justification if the existing road conditions continued. It is fortunate indeed for the nation that the policy of weakening the railways in times of peace, to which my predecessor referred six years ago, did not stop the progress and improvement of the vital railway machine. The lines I have in mind were not closed down but were continued in being at the expense of the shareholders, an expense which I regret still continues in Great Britain where the net revenue accruing to the shareholders is based on the pre-war results. I hope to revert to the future aspects of this matter on a later occasion, when it can be discussed more fully, unhampered by the circumspection required during hostilities round our shores.

HAMPERING ATTITUDE OF PARLIAMENT

The story of the attitude of Parliament to the request of the railways for powers, which most of them did not at that time possess, to extend their transport operations to the road is another instance of hostile bias. Road motor transport at that time was a new thing, but the railways foresaw that it would become a fundamental part of the transport system of the country and quite properly desired to take a part in its development. As far back as 1921 the railways sought to have road powers in the General Act of that year but were refused. A year later, a Bill was promoted in Parliament to obtain the necessary powers, but it was so mutilated by a number of amendments of a crippling character that it became useless from a railway point of view and was dropped. Not until 1928 could the powers be obtained.

Then again, in order to help certain industries, a Bill was passed to give them relief from local rates. The railways were surely as much entitled to this form of relief as any other industry. Following, however, the precedent of unfair discrimination that it had itself set, the Government denied to the railways and compelled them to pay over to certain designated industries the relief that should have been theirs.

Furthermore, they were hampered by a number of statutory obligations and limitations which were reasonable when the railways had a monopoly, but were entirely out of place in an era of unrestricted competition where all monopoly had ceased to exist.

As a result of all these and other injustices, the railways naturally found their position very difficult. We had to choose whether we should make dividends our first consideration at the expense of efficiency or vice versa. We chose the latter course, and we did in fact improve immensely the physical condition of our property, but at the expense of the stockholders. Many of us for years have had to content ourselves with the knowledge that the money we might in ordinary times have received by way of dividend was being spent to keep our property, the railway, in perfect order. Just when we might reasonably have expected to see some reward for our conservative policy war broke out, and the Government took over the railways and it was the community and not the stockholders who reaped the benefit of a railway system that has proved capable of bearing all the enormous demands made on it. As a final travesty of justice, the self-denial of the stockholders in the matter of dividends was actually quoted against them as an argument for cutting down the

price paid by the Government for the use of the railways.

A REAL DANGER

There is a real danger to the country if the importance of the railways is not properly appreciated. Before the outbreak of war it certainly was not understood, and there was a fairly wide belief that railways were becoming, it indeed they had not already become, obsolete as the main means of transport, and that the interests of the country would be best served by an intensive development of the road as against the rail.

The fact that the British railways carry the great bulk of essential traffic in this country is not, I think, sufficiently realised by the public. Before the war the passenger journeys represented some 20,000 million miles of travel, and the freight traffic 17,000 million ton miles, apart from live stock, and the huge quantity of parcels, milk, mails and luggage carried by passenger trains. The importance of this railway effort as part of the normal life of the country is striking, but it is even more striking now with the national effort in this great war. Last year the passenger traffic increased compared with pre-war conditions by a further 10,000 million passenger miles and the freight traffic by a further 7,000 million ton miles.

BACKBONE OF COUNTRY'S TRANSPORT

The fact is that, as successive Ministers of War Transport have said, the railways are, and must, I believe, always be, the backbone of the country's transport system. That does not mean that the road is not also a highly important and essential factor. Owing to the flexibility and the variety of the units operated whether for passengers or goods, it is able to give facilities that the rail cannot give. In any scientific organisation of transport it will be recognised that the road and rail are not competitive but complementary the one to the other, and a frank recognition of this is a necessary preliminary to an economic and ideal system of transport.

Since railways are an essential factor in our transport system, it would be a national misfortune if they were subjected in the future to the handicaps under which they laboured in the past. It is vital to industry and to all of us in our daily lives that our railway system should be as perfect as can be made. Any action that would affect injuriously its capacity for service would react most unhappily on the whole country.

Looking back over the years we can say with truth that we have survived and developed by our own energies and our own alone. The critics who allege that private enterprise is solely concerned with making profits might well examine the record of this company's public service.

The report and accounts were adopted.

GENERAL INVESTORS AND
TRUSTEES, LIMITED

The annual general meeting of General Investors and Trustees, Ltd., was held, on the 11th instant, in London, Mr G. T. Moody, chairman of the company, presiding.

The following are extracts from the review of the chairman, which was circulated with the report and accounts:—The long history of the company there has never been a time when the position gave greater assurance of stability and of increasing financial strength. And this after three years of a devastating war.

The net revenue shows a small increase, and allows the board to recommend a final dividend of 6 per cent. on the ordinary stock, making with the interim dividend 9 per cent. for the year. We are taking the long view, however, and look forward to the time when our stocks and balances, approximately £180,000, may be utilised in further promoting the interests of the nation by assisting in the financing of industry and commerce.

The report and accounts were unanimously adopted.

GREAT WESTERN RAILWAY COMPANY

YEAR'S RECORD TRAFFIC

The annual general meeting of the Great Western Railway Company was held, on the 10th instant, in London.

Sir Charles J. Hambro, K.B.E., M.C. (the chairman), in the course of his speech, said: Notwithstanding the many difficulties arising from shortage of staff, lack of accommodation and food rationing, all grades have responded magnificently to the calls which have been made upon them, and in this connection a special tribute is due to the women, now numbering nearly 16,000, who are included in our ranks and are performing their duties in a highly praiseworthy manner. I should also like to pay tribute to the magnificent work accomplished by our staff in restoring communications during air raids, and keeping the traffic moving at all costs. "Business as usual" has been their motto and worthily have all grades upheld the high tradition of railway service.

FINANCIAL RESULTS

The greater part of the net revenue of £6,932,746 is represented by the fixed annual payment which we receive under the railway control agreement. The excess of £262,143 over this fixed payment is, subject to minor adjustments, the net income from sources not coming within the scope of the fixed payment, and with the balance of £263,938 which was brought forward from last year, the amount available for dividend on the consolidated ordinary stock is £2,206,915, which enables us to recommend a dividend of 2½ per cent. for the half-year ending December 31st last, making 4½ per cent. for the whole year, with a carry-forward of £275,077. This compares with the dividend of 4 per cent. for the previous year when the carry-forward was slightly lower.

In recommending an increased dividend the board were influenced by the fact that the large majority of railway stockholders are persons of limited means, or bodies representing them, who in pre-war days wholeheartedly supported the policy which this company followed of subordinating dividend distribution to the attainment of a high standard in the maintenance and improvement of the undertaking. This policy is the key to the efficiency of our war-time operations. During the long period of trade depression which preceded the war, and in spite of the fact that we were faced with acute and unregulated road competition, we never relaxed our efforts to improve our facilities. There was no doubt in our minds that the railways were, and would remain, the backbone of the country's internal transport system. Between 1928-1938—in anticipation of a return to more prosperous times—we spent over £46,000,000 on improving our undertaking. The new works carried out included the provision of marshalling yards, siding accommodation, modernisation of the docks and of a number of stations, depots, etc.; we also enlarged our renewal programme and during that period built 1,500 locomotives, 3,200 passenger train vehicles and 30,000 wagons, all of improved types, and renewed 3,000 miles of the permanent way.

GREAT WAR EFFORT

The fulfilment of this programme was of great assistance to the Government in their efforts to relieve unemployment, and many of the schemes have proved to be of estimable value in the prosecution of the war effort. It can safely be said that, at the outbreak of war the British railways were as efficient and as well organised as any railways in the world, and I cannot help feeling that the public do not yet appreciate the enormous benefit this has been to the country in the present emergency. It is a great testimony to the high standard of maintenance of our lines and equipment at the outbreak of war that after three years of intensive war-time operations we have been able to meet all the

demands made upon us for the conveyance of essential traffic and that without making any allowance for abnormal wear and tear arising from intensified use, and without detriment to the traffic working we have allowed our repairs and renewals to fall in arrears to the extent of over 8½ million pounds. This amount has been paid into the trust fund constituted under the terms of the railway control agreement which provides for payments in respect of arrears of maintenance calculated on the basis of the pre-war standard, viz., the average expenditure in the years 1935-6-7, adjusted to current prices. The money will ultimately be available for the purpose of carrying out the arrears due to the war period and meanwhile it is invested in Government securities, in the names of trustees, or lent to the company as we are empowered to make temporary borrowings from the fund should we require to do so for the general purpose of our undertaking, subject to conditions approved by the Minister of War Transport.

Although we carried in the past year the greatest volume of traffic in our history the demands on us continue to increase. Shortage of labour and materials is becoming more acute owing to war demands and will add to our difficulties in carrying out essential new works and maintenance.

INCREASING TRAFFIC DEMANDS

Although I am not in a position to give you any figures showing the net earnings of the controlled railway undertaking during the past year, I am not revealing any secret when I say that the earnings were very considerably in excess of the previous year and that it is the intention of the Government to publish the figures in a White Paper at an early date. In consequence of estimates of earnings which have appeared in the press a number of stockholders have written to me suggesting that we should approach the Government for a revision of the present agreement. I should deprecate taking any action in the matter. The railway companies only accepted the fixed annual payment of £43 millions as a war-time arrangement, because it was recognised that in time of war the national interest was paramount and necessitated ordinary commercial consideration being set aside. Our receipts during the past year arose mainly from war traffic carried under exceptional conditions and in pursuance of regulations made by the Minister of War Transport in order to secure the most economic use of all available transport. We dealt with a very large increase in passenger traffic and, as all cheap fares were abolished, and the train services drastically reduced, it is not surprising that there should have been a large increase in net earnings.

The position in regard to freight traffic was very similar. We could not have catered satisfactorily for all essential war-time traffics if traders and others had continued to enjoy the same freedom in dealing with their business as before the war. It will therefore be apparent that although a good case might be made on commercial grounds for more generous treatment from the Government there would be no justification for asking for a revision of the present agreement.

POST-WAR POSITION

The future of all forms of transport in this country is a subject which opens a wide field for discussion when consideration is being given to schemes for post-war reconstruction. It is difficult to foresee what the post-war requirements may be, but in any case, it should be obvious that those who have spent their lifetime in dealing with the many complex problems associated with the movement of passenger and freight traffic are the ones best qualified to advise the Government on the steps to be taken to meet such requirements with the greatest degree of efficiency and economy.

The report was adopted.

LONDON AND
NORTH EASTERN RAILWAY
COMPANY

VALUE OF EFFICIENT TRANSPORT

The twentieth ordinary general meeting of the London and North Eastern Railway Company was held, on the 5th instant, in London.

Sir Ronald W. Matthews (chairman of the company), who presided, in the course of his speech said: The net revenue for the year 1942 was £10,700,599, which is an increase of £53,572, or ½ per cent., compared with the year 1941. The net revenue is made up of £10,130,355, which is the company's share of the annual payment for the use of the railways made by the Government in accordance with the Railway Control Agreement, together with an amount of £564,244 obtained from items excluded from the Railway Control Agreement and consisting mainly of interest and dividends from our investments in omnibus and road haulage companies. The balance brought forward from the previous year was £86,675, making a total sum available for distribution of £10,787,274.

FUEL CONSERVATION

In order to conserve locomotive power and fuel, services have been curtailed wherever this could be done without affecting essential travel, but the volume of long-distance travel severely taxed the capacity of the main line services. These could not be augmented, owing to the demands made by the heavy freight traffic on our stock of powerful locomotives.

We meet to-day in circumstances happier than a year ago, and great with promise for the future. Inexorably, irresistibly, the armed might of the allied nations moves forward to the day when, in the words of the Prime Minister, justice stern and implacable has been done and no vestige of the Nazi or Fascist power is left. Still greater demands in the coming months will be made on the endurance of man and metal, and I have no doubt that in that supreme test the railways of Britain will play their full part.

POST-WAR RECONSTRUCTION

There are, before I close, a few words which I must say to you in regard to the future. If we in this country are to retain, and as we hope improve, our standard of life, we must trade freely and on a greater scale than ever before with the whole world. That means, in a sentence, that we must be able to offer our products in foreign markets in the right quality and at attractive prices. Volume and efficiency of production are what are required. The first can only be achieved by the provision of a prosperous home market, the second by the fullest encouragement of individual enterprise and initiative. The Commission set up at the beginning of last year by the Railway Companies' Association is hard at work on many important aspects of railway operation, and I can assure you that the whole difficult problem of the relationship of the railways to other forms of transport, and of the part to be played by transport generally in the scheme of things to be, is under the closest and most careful examination by specially appointed committees.

This war has proved, if any proof were necessary, the essential part that railways must play in the life of all civilised nations. It has proved, too, so far as this country is concerned, that our railways are able to carry efficiently a much greater volume of traffic than, as a result of the archaic restrictions and regulations by which they were fettered, they were able to acquire in pre-war years. However, the transport services may be recast to meet post-war requirements, the significance of that aspect will, you may be sure, not be allowed to pass unnoticed.

The report was adopted.

SOUTHERN RAILWAY COMPANY

VAST WAR TRAFFIC

The annual general meeting of the Southern Railway Company was held, on the 11th instant, in London.

Mr. Robert Holland-Martin, C.B. (the chairman), who presided, said that the net revenue for the year was £6,913,514, a decrease of £20,746 compared with 1941. The net revenue included the fixed annual payment of £6,607,639 from the Government under the Railway Control Agreement which was finally completed by all parties in May of last year. In addition they received from the Government £300,000 per annum representing the interest on the £7½ million debenture stock issued in 1939. There was a slight decrease in receipts from items excluded from the Government Control Account occasioned by a slight decrease in revenue from one or two of their road transport interests. After meeting the interest on debenture stocks and dividends on the guaranteed and preference stocks and the full 5 per cent. on the preferred ordinary, the balance available for dividend on the deferred ordinary stock was £641,075, which would enable them as last year to pay a dividend of 1½ per cent.

TRIBUTE TO STAFF

It would not be fitting if he let the occasion pass without once more making reference to the immense tasks carried out day to day by the staff of the company. During the past year there had been few heavy air-raids, but there had been many small daylight attacks by enemy aircraft. Their engineering staff had been able to effect marvellously quick repairs to damaged permanent way, structures and rolling stock, so that very little delay indeed had been occasioned by air-raids to their traffic. He wished he were allowed to give exact figures of the many millions of essential service passengers and millions of tons of war freight which were now being moved over their lines.

Under peace conditions there were but few intervals in the 24 hours during which trains did not pass over the main trunk line, on the Southern Railway. Under war conditions the passage of trains was ceaseless. The staff throughout 1942 had responded magnificently to the many calls made upon them. He sometimes wondered if the public realised how much they owed to the ordinary British railwayman.

CURTAILMENT OF NORMAL FACILITIES

The vast movement of war traffic had not been possible without some curtailment during the year of the normal facilities for the travelling public. They had endeavoured to provide an adequate and punctual service for essential travel, but it had been necessary to withdraw cheap-day tickets to discourage needless journeys. During the year all refreshment and Pullman cars were withdrawn from ordinary train services. Needless to say the board looked forward to the time when they would be in a position once more to restore cheap-day travel and to see that each of the longer distance trains was provided with a refreshment car.

Many stockholders were doubtless wondering what was to be the future in the coming years of the railway companies when the war was over. They read of all kinds of plans to solve their problems but he maintained that there was still wisdom and virtue, from a national and trading point of view, in individual ownership—the system under which British railways were conceived, financed and developed and under which the cost to the taxpayer was nil. Let them be proud of what they had done by their energy and skill. Let them speak up for private enterprise—that energetic and truly British contribution to world trade and prosperity—and let every one of them, when they heard prophecies of this and that or the other panacea, shed the light of a little practical common sense on the subject.

The report was adopted.

THE SCOTTISH LIFE ASSURANCE COMPANY, LIMITED

GOOD REPORT FOR PAST YEAR NO ADVERSE FEATURES

SIR JOHN MACLEOD'S ADDRESS

The annual meeting of the Scottish Life Assurance Company, Limited, was held in Edinburgh on Wednesday, the 10th instant. Sir John Lorne MacLeod, chairman of the board of directors, presided.

In moving the adoption of the report and accounts for the year ending December 31, 1942, the chairman said: Gentlemen, I think you will agree that the report is a good one. There has been an increase in new business; the premium income has been more than maintained; mortality, in spite of many war claims, has been light; the net rate of interest earned on the invested funds has actually shown an increase; surrenders of policies during the year have been extremely few; there has been a further saving in expenses; and the life funds have moved up by a considerable sum. I cannot point to any adverse features to set against these favourable points so that apart from the effects of the war on life assurance business in general the results of the year do indeed give ground for satisfaction.

INCREASE IN NEW BUSINESS

The new business which totalled 932 policies for £706,625 sums assured after deducting sums reassured shows an increase of 198 policies and £140,000 of sums assured over the results of the previous year. New business returns are achieved not so much nowadays by successful salesmanship, but rather as the result of demands on the part of the public for policies which are essential to their needs.

The members of our outdoor staff—and only a few seniors are now available—devote their time as far as possible to

satisfying these needs, but our entire pre-war staff of inspectors being now engaged with His Majesty's Forces or in other forms of full-time national service, those left to us are practically all branch secretaries, a large part of whose time is of necessity taken up with inside duties. Considering also that printing and circulation of literature designed to create an appetite for life assurance has practically ceased for the time being, the directors are well satisfied with the new business results of the year.

The premium income at £620,633 showed an increase of about £8,000 on that of the previous year. Claims by death and survival were £96,000 less than the year before. The gross rate of interest received on the invested funds for the past year was 4 10s. 1d. per cent. After deduction of 4 10s. 1d. per cent. the net yield was 3 7s. 5d. per cent. These rates compare with 4 11s. 1d. and 3 6s. 10d. per cent. respectively for the previous year.

INVESTMENT IN GOVERNMENT ISSUES

The whole of the increase in life funds during the year, £188,000, has been absorbed in new Government issues, as well as a further large sum from sales and redemptions of other investments, so that fully 25 per cent. of the company's assets is now represented by British Government securities. The combined success of the Government policy in financing war expenditure has carried the prices of securities outside the gilt-edged market to even higher levels than were current a year ago, and our margin of appreciation over book values is in the aggregate now substantial.

In your name I would like to convey to all employees in the service, both permanent and temporary, an expression of warm appreciation of the manner in which they are carrying on the work while so many of their colleagues, whom we have constantly in mind, are away.

The motion, having been seconded by Mr W. G. C. Hanna, C.A., was adopted.

March 13, 1943

SCOTTISH WIDOWS' FUND AND LIFE ASSURANCE [SOCIETY]

GROWING PUBLIC APPRECIATION OF LIFE ASSURANCE

MR KENNETH MURRAY'S REVIEW

The one hundred and twenty-ninth stated annual meeting of the Scottish Widows' Fund and Life Assurance Society was held, on the 9th instant, in the society's head office, Edinburgh, Mr Kenneth Murray, W.S. (chairman of the ordinary court of directors), presiding.

The chairman, in moving the adoption of the report and accounts, said: The society's activities have naturally been restricted by the necessity for releasing as many men and women as possible for the Forces and for war work. It would not have been surprising had the new business completed in 1942 been substantially less than in the preceding year. In fact, however, new life policies were effected for a total sum of over 2½ million pounds, and the net new business at £2,137,000 was only about £90,000 lower than in the preceding year.

This result suggests that the public are showing an increasing appreciation of the benefits of life assurance and the facilities it provides for regular saving from year to year. It would be strange if this were not so, for the need for life assurance is as great as ever, and, in the case of the society, there is the further attraction that new with-profit policies generally cover civilian war risks in this country without extra charge. Moreover, new life assurance business forms a valuable contribution to the national savings movement in providing automatic annual savings which go to swell the amount invested in new war loans.

The time will shortly come when practically all of our few remaining inspectors will cease to be available for new business work. We must now, therefore, look to those members and others, who require life assurance, to take the initiative and call upon or write to our branch offices or agents, who will be pleased to give them every assistance and advice.

In addition to the new ordinary assurances, a substantial amount of business was again completed under staff pension schemes. This was largely responsible for the further increase of over £30,000 in the total premium income.

The interest income was higher and the average rate of interest on the whole of the assurance and annuity funds after deduction of income tax was 3 10s. 1d. per cent. This is only 6d. less than in the preceding year.

FAVOURABLE MORTALITY EXPERIENCE

The claims by death were less by £40,000 and lower than in any year since 1933. They include a total of £152,000 arising directly from war operations, and it will thus be appreciated that apart from this the mortality experience has been remarkably favourable. Under the society's "W" plan, whereby civilian war risks are normally covered without extra charge in the case of with-profit policies, the experience has again been satisfactory. There has not been one claim since our last meeting.

Another item in which there was a marked fall is the amount paid on the surrender of policies, and over the past 30 years the figure has only once been lower.

Commission and expenses of management fell to below 11 per cent. of the premium income, a reduction of nearly 1 per cent.

The income exceeded outgo by more than £1,000,000 for the first time in the

THE ECONOMIST

343

CO-OPERATIVE PERMANENT BUILDING SOCIETY

POST-WAR DEVELOPMENT

DR ALBERT MANSBRIDGE'S ADDRESS

The annual general meeting of the Co-operative Permanent Building Society was held, on the 4th instant, in London.

Dr Albert Mansbridge, C.H., in his presidential address, said that at the close of the fifty-ninth year the society faced the future in a stable and strong position with determination and confidence. It had sought throughout its life to enable men and women to own healthy houses in which they and their families could discharge the duties and enjoy the privileges of dignified citizenship.

It was a matter of common knowledge that much thought was being devoted to the nature and place of housing, both as regards structure and planning, in the Britain of the future. Government Committees, associations, whether of architects, builders or physicians, and authorised experts, had already published important reports. The "Design for Britain" series of booklets sponsored by the society under the able editorship of Dr E. C. Fairchild and published by J. M. Dent and Sons, Limited, had set before the public the considered opinions of well-known authorities in all that related to housing.

He felt that there was now, and in increasing measure would be in the future, a duty and obligation laid on building societies to prepare adequately for reconstruction. They must ensure that there would be no place in the post-war era for ill-conceived, jerry-built houses. The power of finance held in the hands of building societies must and would be used wisely, equitably and in the interest of all. In co-operation with authority and aided by the best planning thought of the day, building societies could play their part.

INCREASE IN ASSETS

He considered it unnecessary to deal in detail with the figures in the balance-sheet, but would underline the fact that the society's total assets had increased by £1,500,000 to £32,700,000. These figures, due in part to amalgamation, were also affected by the determination of the Society to make advances on houses which men and women, as a result of war conditions, wished to purchase at prices not altered by undue inflation. In this the society had rendered signal service and was not without hope that it would be able to continue to do so, whilst preserving that standard of liquidity of funds which was understood to be the wish of the Treasury.

The share and loan capital had increased to almost £31,000,000, and in these days when liquidity was an important part of a balance-sheet, it was pleasing to report that the society held £4,700,000 of cash resources in Bank, Government and Corporation Loans and Tax Reserve Certificates. Of that sum, over £1,500,000 was invested in British Government securities. The mortgage advances spread over the whole of Britain showed an average amount due on each mortgage of £414, and the reserve, including the balance carried forward, was now almost £1,500,000. This satisfactory position had been attained whilst giving sympathetic consideration to borrowers whose houses had received damage from enemy action, or who had suffered from other happenings arising out of the war. Concessions by way of interest allowances had been given and extension of time had been granted in respect of mortgage repayments.

PLEA FOR UNIFICATION

Pointing out the very large number of building societies operating in Britain, each with directors, manager or secretary and

(Continued at the foot of page 344)

PEARL ASSURANCE

COMPANY LIMITED

Facts and Figures from the Statement by SIR GEORGE TILLEY, F.C.I.I.
President and Chairman of the Company on the Annual Report and Balance Sheet for the year ending 31st December, 1942.

FUNDS - - £123,280,190
INCOME - - £21,736,705

INVESTMENTS

The funds show an increase of £6,031,350. The market value of the investments exceeded the price at which they stand in the balance sheet.

LIFE BRANCHES

In the Ordinary Branch sums assured under new policies issued during the year amounted to over £8,060,000. Premium income in the Industrial Branch exceeded £10,629,000, an increase of £790,000.

FIRE AND GENERAL

In these Branches the premium income exceeded £1,619,000.

BONUSES

In the Ordinary Branch a bonus of £1 per £100 assured was declared on policies entitled to participate in full profits that become claims by death or maturity during 1943.

In the Industrial Branch a bonus has been declared on policies, with certain exceptions, effected before 1st January, 1936, that become claims by death or maturity during 1943. Up to date a total sum of over £7,180,900 has been allocated for bonuses to policyholders in this Branch.

The bonus for 1940 and 1941 in both Branches is continued unchanged for claims during 1943.

TOTAL CLAIMS PAID EXCEED £165,000,000

Chief Offices: High Holborn, London, W.C.1.

(Continued from page 339)

in industrial canteens was stressed by many delegates, representing trade union branches, catering workers, co-operators and the like, at a conference in London last week-end organised by the Labour Research Department. Many complaints, such as of insufficient helpings, excessive charges, too much time spent in queuing for meals, and inadequate provision for night shift workers, were made, but the point that was most suggested was that the canteens in which workers were themselves associated with the management were more successful than those that were run by outside caterers. The same conclusion was reached by the Chief Inspector of Factories in his 1941 report; he quoted the case of a firm in Scotland, where the canteen was operated "efficiently and economically" by a committee of the workers, and in which any profits were

distributed in the form of free meals for one week to regular users. If the workers have a direct responsibility for running the canteen, whether through a canteen committee or a sub-committee of the joint production committee, they are probably more likely to exact high standards and good service than if they have no say in it. The shortage of labour still seems to be impeding the development of canteens, and it has been suggested that a potential source of labour exists in civilian hotels and restaurants. In one London hotel, for instance, 34 cooks are engaged in serving 1,500 meals, which is far more than would be required to serve an equivalent number of meals in a works canteen; but the wages offered by industrial catering compare unfavourably with those in the hotel trade at the present time so that no voluntary transference of labour is likely to take place.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

As anticipated, the diversion of interest to the War Savings effort occasioned a further small contraction in turnover. According to the *Financial News* ordinary shares index, however, prices have remained distinctly steady. Despite the relative inactivity of the *gilt-edged* market, the tone throughout was barely firm, and one or two of the irredeemable and long-dated issues displayed a slightly easier tendency in midweek. Interest in the foreign bond market was focussed on Far Eastern stocks, advances of a point and more being registered for Chinese loans, while Japanese bonds improved $1\frac{1}{2}$ to $2\frac{1}{2}$ points. With the decline of the recent heavy buying of *home rail* stocks, junior issues were dull, and midweek profit-taking accentuated the rather easier tendency, although losses were generally small. The *foreign rail* market provided a cheerful contrast. The BA Western debenture payment and revived hopes of a more favourable exchange rate were the stimuli, and senior issues were outstandingly strong. Central Argentine 4 per cent debenture rose $4\frac{1}{2}$ points, and the majority of debenture issues, including the Peruvian Corporation stock, were between 3 and 4 points higher on the week.

COMPANY MEETINGS—continued

staff, separate organisations and offices, he expressed the opinion that much greater service would result if unification and grouping took place. He felt that it was not improbable that in the national interest, whether suggested by national authority or voluntarily conceived, some society or societies of considerable size and influence, having spirit and traditions in line with his own, might desire to enter into alliance. Any approaches to this end would be sympathetically and carefully considered, all with a view to increasing mutual and joint efforts in home ownership by the people.

HIGH HOPES FOR THE FUTURE

In conclusion, Dr Mansbridge thought that the year 1943, which was now well on its way, would be fraught with great importance, not merely to British life, but to the life of the whole world. The operations of the society in relation to all this might seem small, but in reality would make a powerful contribution to the whole make-up of affairs. He had no desire to assume a prophet's mantle, but was full of confidence and high hope, because he knew the nature, ideals and practice of his society. His desire was that it should proceed deliberately in the spirit of reasonable and fruitful adventure.

The report and accounts were unanimously adopted.

Other classes were firm in sympathy with correspondingly smaller gains.

Numerous small improvements in the industrial market reflected the good tone common to most sections. Thus, brewery shares enjoyed numerous gains of 3d. and 6d., and tobacco issues were firm on the results of Gallaher, but later became uncertain on Budget fears, Imps easing $\frac{1}{2}$. Minor advances of a few pence were frequent in the motor and aircraft section, but Leyland, exceptionally, was weaker. Heavy industrial issues were without any feature, although firm throughout. Textile shares were supported, numerous issues advancing; Courtaulds, recovering an earlier loss of 6d. on the annual report. Electric supply shares were marked down at the reopening on the unification proposals for the London companies. Actual selling was slight, and after the initial surprise the market was steady. Among miscellaneous issues, London Brick advanced 1s. on the maintenance of the dividend, and Wall Paper deferred improved steadily.

After the recent boom in diamond shares the City transferred its attentions this week to gold-mining issues. Demand was strong, primarily on the belief that gold is to be the basis of any post-war currency arrangements, and found the *kafir* market extremely short of stock. Prices were marked up generally, Blyvoors rising 6s. 3d., and West Wit Areas $\frac{1}{2}$, while other gains ranged from $\frac{1}{8}$ to $\frac{1}{4}$. Diamond shares continued to be bought, quotations improving slightly. In contrast, *rubber* and *tea* shares were rather neglected, although some minor, occasional gains were registered. After displaying some strength before the week-end, oil shares turned dull on the absence of active support, although Trinidad Petroleum Development gained $\frac{1}{2}$ in midweek.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	30 Ord. shares*	20 Fixed Int.†
Mar. 4.....	4,300	3,129	96.5	136.5	
" 5.....	4,748	2,761	96.5	136.5	
" 8.....	5,780	3,267	96.7	136.5	
" 9.....	4,688	2,970	96.9	136.6	
" 10.....	4,869	2,847	97.1	136.5	

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 97.2 (Feb. 3); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

DESPITE the favourable war reports, Wall Street failed to maintain the recent strong advance. Many buyers withheld support, and profit-taking tended to dominate proceedings early this week. Numerous lead-

ing issues lost some of their earlier gains, although aircraft issues and several specialties provided exceptions to the prevailing tendency.

STANDARD STATISTICS INDICES (1935-36=100)

(WEEKLY AVERAGES)

	Low Jan. 6	High Jan. 3	Feb. 17, 1943	Feb. 24, 1943	Mar. 3, 1943
347 Industrials.....	81.1	89.6	88.5	89.1	89.6
32 Rails.....	72.6	86.1	76.9	81.4	86.1
40 Utilities.....	67.9	76.6	74.1	75.9	76.6
419 Stocks.....	78.5	87.3	85.5	86.5	87.3
Av. yield %.....	5.36	4.91	4.95	4.92	4.91

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Feb. 25	Feb. 26	Feb. 27	Mar. 1	Mar. 3	Mar. 5
110.0	110.0	110.2	109.4	108.6	109.9

1943: High, 110.2, Feb. 27; Low, 99.6, Jan. 2.

Total share dealings: Mar. 4, 2,007,000
Mar. 5, 1,209,000; Mar. 6*, 788,000
Mar. 8, 1,246,000; Mar. 9, 1,420,000
Mar. 10, 929,000.

* Two-hour session only.

Capital Issues

Week ending March 13, 1943
Nominal Capital £483,475
Conversions £513.0

By Permission to Deal. Particulars of Government issues appear on page 3

Year† Including Conversions Excluded Conversions

1943..... 245,851,921 238,586.4
1942..... 281,402,549 277,400.4

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign
1943.....	237,798,821	787,600	27.4
1942.....	277,195,170	178,320	27.4

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	233,838,625	609,837	4,137.4
1942.....	276,150,361	89,529	1,100.4

† Includes Government issues to Mar. 2, 1943, on which above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Co-operative Permanent Building Society.—Total assets, December 31, 1942, £32,724,112 (£31,174,131). Share capital £30,819.5 (£29,526,506). Advanced on mortgage £1,112,915 (£430,909). Reserves and profits, £1,475,194 (£1,360,243). Number of accounts, 173,002 (164,115).

Finance

GOVERNMENT RETURNS

For the week ended March 6, 1943, total ordinary revenue was £89,294,000, against ordinary expenditure of £129,149,000, and issues to sinking funds of £2,385,308. Thus, including sinking fund allocations of £13,447,212, the deficit accrued since April 1st is £2,601,386,000 against £2,509,055,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1, 1941 to Mar. 7, 1942	April 1, 1942 to Mar. 7, 1943	Week ended Mar. 6, 1942	Week ended Mar. 6, 1943
ORDINARY REVENUE					
Income Tax.....	913,000	701,783	897,960	29,379	52,318
Sur-tax.....	78,000	67,127	64,679	2,800	4,520
Estate, etc.....	90,000	84,226	86,492	2,080	2,181
Duties.....	15,000	12,543	13,180	350	...
Stamps.....	425,000	19,654	27,199	380	750
N.D.C.....	231,124	319,667	6,800	10,915	...
E.P.T.....	1,000	707	850	20	60
Other Ind. Rev.	1,000	707	850	20	60
Total Ind. Rev.	1522000	1117164	1410027	41,809	70,744
Customs.....	438,295	342,045	423,957	8,304	12,727
Excise.....	366,705	309,198	401,800	1,798	5,400
Total Customs & Excise.....	805,000	651,243	825,757	10,102	18,127
Motor Duties.....	34,000	38,030	28,224	277	232
Canadian Govt. Contribution to P.O. (Net Receipts).....	225,000	...	224,719	...	...
P.O. (Net Receipts).....	10,000	11,200	9,500	500	...
Wireless Licences.....	4,300	...	4,200	...	...
Crown Lands.....	800	910	960	...	...
Receipts from Sundry Loans.....	5,000	5,127	3,333	30	...
Miscell. Receipts.....	21,000	78,493	84,937	1,414	192
Total Ord. Rev.	2627100	1902167	2591657	54,132	89,294
SELF-BALANCING P.O. & Broadcastg.	102,523	96,500	99,000	1,500	2,000
Total.....	2729623	1998667	2690657	55,632	91,294

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	Estimate, 1942-43	April 1, 1941 to Mar. 7, 1942	April 1, 1942 to Mar. 7, 1943	Week ended Mar. 6, 1942	Week ended Mar. 6, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	250,905	304,104	9,534	15,259
Payments to N. Ireland.....	9,500	8,076	8,080	544	559
Other Cons. Fund Services.....	7,800	7,509	7,188	...	6
Total.....	342,300	266,490	319,372	10,078	15,824
Supply Services.....	5364493	4133230	4860224	92,657	113,325
Total Ord. Exp.	5706793	4399720	5179596	102,735	129,149
SELF-BALANCING P.O. & Broadcastg.	102,523	96,500	99,000	1,500	2,000
Total.....	5809316	4496220	5278596	104,235	131,149

After decreasing Exchequer balances by £11,276 to £2,720,269, the other operations for the week (no longer shown separately) raised the gross National Debt by £42,293,416 to £16,660 millions.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Mar. 5th and Mar. 11th. (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 (25-23) 17-30-40. Sweden. Krona (18-159) T.T. 16-85-95, bank notes at Bank of England 17-40 kr. Argentina. Peso (11-45) 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 99-80-100-30. Panama. 99-80-100-20; 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 Office. Spain. Peseta 40-50 (Official rate);

NET ISSUES (£ thousands)

P.O. and Telegraph..... 250
Overseas Trade Guarantees..... 2

NET RECEIPTS (£ thousands)

Title Act..... 128

FLOATING DEBT

Date	Tender	Tap	Public Depts.	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942						
Mar. 7	905.0			Not available		
Dec. 5	1045.0			"		
" 12	1045.0			"		
" 19	1045.0			"		
" 26	1045.0			"		
" 31	2,833.2	161.6	67.7	966.5	4029.0	
1943						
Jan. 9	1045.0			Not available		
" 16	1040.0			"		
" 23	1030.0			"		
" 30	1020.0	1770.8	231.7	24.0	920.5	4027.0
Feb. 6	1010.0			Not available		
" 13	1000.0			"		
" 20	990.0			"		
" 27	980.0	1829.7	230.1	24.7	1000.5	4065.1
Mar. 6	975.0			Not available		

TREASURY BILLS

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Mar. 6	75.0	139.4	75.0	0.31	38
Dec. 11	75.0	144.7	75.0	2.149	35
" 18	75.0	137.4	75.0	2.164	39
" 24	75.0	144.8	75.0	2.125	29
" 31	75.0	143.5	75.0	2.005	41
1943					
Jan. 8	75.0	133.9	75.0	2.11	46
" 15	75.0	140.0	75.0	2.156	36
" 22	75.0	148.2	75.0	2.166	33
" 29	75.0	161.0	75.0	19.11-57	28
Feb. 5	75.0	158.7	75.0	19.11-80	29
" 12	75.0	141.6	75.0	19.11-85	34
" 19	75.0	152.7	75.0	19.11-93	32
" 26	75.0	172.8	75.0	19.11-86	24
Mar. 5	75.0	161.7	75.0	19.11-68	25

On Mar. 5th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 25 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid for on Saturday were accepted in full. £75 millions of Treasury Bills are being offered on March 12th. For the week ending March 13th, the banks will be asked for no Treasury deposits.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Jan. 26.....	5,615	2,598	9,213	10,143
Feb. 2.....	6,133	2,230	7,771	8,972
" 9.....	6,745	2,278	6,200	8,586
" 16.....	5,753	2,040	12,138	7,533
" 23.....	5,484	2,569	8,700	6,716
Mar. 2.....	5,143	2,136	13,367	8,377
" 9.....	...	...	27,371	50,781
Totals to date	728,544	543,011	1,060,760	1,339,332

* 171 weeks. † 114 weeks. ‡ 15 weeks.
§ Including series 1949-51. || Including all Series.
Interest free loans received by the Treasury up to Mar. 9th amounted to a total value of £54,961,657. Up to Feb. 27th, principal of Savings Certificates to the amount of £96,972,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Marked Rates.—The following rates remained unchanged between Mar. 5th and Mar. 11th:

Egypt. Piastres (97½) 97½-8. India. Rupee (18d. per rupee) 17½-18½d. Belgian Congo. Francs 176½-2. China. National \$ 2½-3½d.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm.-par. Canada. 1 cent pm.-par. Switzerland. 3 cents pm.-par. Sweden. 3 cent pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Mar. 5th and Mar. 11th:—

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

MARCH 10, 1943

ISSUE DEPARTMENT

£		£	
Notes Issued:		Govt. Debt....	11,015,100
In Circul.	926,350,080	Other Govt.	
In Bankg. De-		Securities	938,275,812
partment.....	23,891,638	Other Secs....	700,219
		Silver Coin....	8,869
		Amt. of Fid.	
		Issue	950,000,000
		Gold Coin &	
		Bullion (at	
		168s. per oz.	
		fine).....	241,718
	950,241,718		950,241,718

PROVINCIAL BANK CLEARINGS

£ thousands

	Week ended		Aggregate from Jan. 1 to	
	Mar. 7, 1942	Mar. 6, 1943	Mar. 7, 1942	Mar. 6, 1943
Working days:	6	6	6	6
Birmingham	3,272	3,060	27,615	26,742
Bradford	2,290	2,005	22,967	21,388
Bristol	2,341	794	22,025	6,887
Hull	922	788	8,325	8,061
Leeds	1,387	1,010	13,622	13,171
Liverpool	1,098	986	9,147	9,217
Manchester	5,735	4,243	46,053	41,568
Newcastle	14,033	13,918	126,006	124,314
Nottingham	2,216	1,962	16,593	15,254
Sheffield	564	561	5,105	5,698
Southampton	1,174	1,460	10,333	11,857
12 Towns	35,263	30,988	309,610	285,815
Dublin*	6,258	6,725	65,768	68,388

* Feb. 28, 1942, and Feb. 27, 1943.

OVERSEAS BANK RETURNS

SOUTH AFRICAN RESERVE BANK

Million £'s

	Jan. 9, 1942		Dec. 31, 1942		Jan. 8, 1943	
	1942	1942	1942	1942	1943	1943
ASSETS						
Gold coin and bullion	43.92	76.86	76.99	71.32		
Bills discounted	0.37	0.94	0.95	11.03		
Invest. and other assets	59.37	71.75	72.48	66.25		
LIABILITIES						
Notes in circulation	28.15	38.15	39.43	37.92		
Deposits: Government	14.42	3.04	2.57	3.12		
Bankers	49.01	97.98	98.96	100.21		
Others	7.41	7.08	6.93	7.02		
Reserve ratio	44.6%	52.6%	52.2%	48.5%		

U.S. FEDERAL RESERVE

Million \$'s

	Mar. 5, 1942		Feb. 25, 1943		Mar. 4, 1943	
	1942	1942	1943	1943	1943	1943
12 U.S.F.R. BANKS						
Gold certifi. on hand and due from Treasury	20,502	20,442	20,441	20,449		
Total reserves	20,836	20,877	20,859	20,860		
Total cash reserves	321	399	382	374		
Govt. deposits	2,262	5,795	5,931	5,800		
Total bills and sec.	2,277	5,818	5,956	5,825		
Total resources	24,282	28,567	28,512	28,580		
LIABILITIES						
F.R. notes in circ.	8,585	12,429	12,511	12,672		
Excess m. bank res.	3,210	1,950	1,790	1,790		
Mr. bank res. dep.	12,835	13,093	12,917	12,935		
Govt. deposits	287	188	258	14		
Total deposits	14,392	14,440	14,346	14,090		
Total liabilities	24,282	28,567	28,512	28,580		
Reserve ratio	90.7%	77.7%	77.7%	77.9%		
BANK AND TREASURY RESOURCES						
Monetary gold stock	22,715	22,642	22,643	22,643		
Treasury & bank currency	3,269	3,915	3,925	3,963		
LIABILITIES						
Money in circulation	11,518	15,845	15,952	16,154		
Treasury cash and dep.	2,467	2,409	2,481	2,226		

COMPANY RESULTS (February 25, 1943, to March 10, 1943)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Coal, Iron and Steel													
Fife Coal Company	Dec. 31	165,230		165,230	317,717	10,445	85,707	14	50,000	+ 19,078	162,957	162,957	14
Redpath, Brown & Co.	July 31	72,035	7,082	47,688	219,932	5,250	42,438	d			100,893	68,851	14
Shireoaks Colliery Company	Dec. 31	3,137		Dr. 14,400	2,930					- 14,400	10,520	Dr. 7,427	Nil
Financial, Land, &c.													
Collyden Consolidated	Dec. 31	6,661			2,342				2,000	+ 342	8,726	3,503	Nil
Lamson Investments	Dec. 31	119,985		93,641	115,137	25,000	67,500	7 1/2		+ 1,141	108,692	92,524	7 1/2
Mortgage Company of the River Plate	Dec. 31	85,801		37,837	108,630	15,000	21,000	7		+ 1,837	89,105	40,873	7
Properties Selection Trust	Sept. 30	19,665		4,602	5,860		3,488	4	1,000	+ 114	18,259	1,784	2
Property & Reversionary Investment	Dec. 31	48,657		524	12,437					+ 524	45,144	Dr. 3,644	Nil
Rubber Plantations Investment Trust	Dec. 31	51,731		24,608	121,352					+ 24,608	173,383	86,169	3
Rubber													
Djember	Dec. 31	1,333		Dr. 2,931	30					- 2,931	23,709	Dr. 231	Nil
East Java	Dec. 31	727		Dr. 4,083	Dr. 1,073					- 4,083	30,716	1,492	Nil
Gadek	Dec. 31	1,177		Dr. 26,117	8,086					- 26,117	40,002	15,572	Nil
Glen Rubber	June 30	3,644		832	2,264		713	6		+ 119	5,541	762	6
Rambutan	Dec. 31	4,302	1,382	Dr. 3,626	13,218					- 3,626	39,081	11,221	Nil
Semenyih	April 30	4,700		Dr. 1,730	8,535					- 1,730	14,552	5,815	18
Serdang Central	Aug. 31	940		Dr. 5,682	63					- 5,682	9,175	5,851	Nil
Shops and Stores													
Evans (D. H.) & Co.	Jan. 31	335,772	22,034	98,484	129,511	12,000	72,000	8	12,250	+ 2,234	307,552	84,355	7
Greenlees & Sons	Dec. 26	80,993	12,380	49,853	66,848	18,750	27,000	10		+ 4,103	98,831	63,413	10
Public Benefit Boot	Jan. 2	171,520	13,721	25,926	34,233	16,314	7,500	10		+ 2,112	162,246	19,490	10
Saxone Shoes	Dec. 31	248,275	33,450	44,475	80,289	15,438	29,687	12 1/2		+ 650	234,707	46,356	12 1/2
Sears (J.) & Co.	Dec. 31	235,129		157,591	294,896	111,642	34,765	12 1/2	10,000	+ 1,184	225,402	147,859	12 1/2
Whiteley (William)	Jan. 31	179,309	21,662	34,584	102,182	33,750				+ 834	140,240	31,270	Nil
Textiles													
Courtaulds Limited	Dec. 31	3,995,401		1,262,130	1,756,185	200,000	900,000	7 1/2		+ 162,130	4,227,507	1,271,048	7 1/2
Jackson & Stoeple	Dec. 31	25,389	1,875	14,715	22,443		7,875	15	5,000	+ 1,840	24,359	15,709	15
Taylor (C. F.) & Co.	Dec. 31	68,047		33,969	93,396	9,600	16,000	10	5,000	+ 3,369	67,658	33,015	10
Wolsey Limited	Dec. 31	141,170	35,662	45,591	84,994	28,125	16,875	4 1/2		+ 591	144,878	46,198	4 1/2
Trusts													
American Trust	Jan. 31	78,100		24,044	39,717	12,000	9,600	6	5,000	- 2,556	77,724	23,698	6
British Assets Trust	Jan. 15	545,591		113,685	167,224	65,494	29,519	12	18,775	- 103	333,027	108,028	12
Broadstone Investment	Dec. 31	63,586		12,231	71,526	15,906				+ 3,675	67,487	15,068	Nil
General Investors & Trustees	Jan. 31	53,146		30,287	38,339	9,801	20,255	9		+ 231	53,246	29,776	9
International Investment Trust	Jan. 31	61,604		30,051	96,771	14,175	15,750	7 1/2		+ 126	64,168	32,920	7 1/2
London & Clydesdale	Feb. 1	90,039		33,003	89,302	11,719	9,375	6		+ 11,909	87,518	33,145	6
London & Lombard	Jan. 31	75,963		24,430	44,737	9,211	9,529	7 1/2		+ 690	75,824	25,512	7 1/2
Midland-Caledonian Investment	Dec. 31	24,750		8,085	26,877	6,175	5	5,000		+ 245	29,859	29,273	5
Scottish Eastern Investment	Jan. 31	92,225		27,927	60,880	11,567	11,115	6 1/2		+ 5,000	101,214	25,092	3 1/2
Scottish Central Investment	Jan. 15	99,840		24,469	44,809	15,437	7,204	3 1/2		+ 8,350	123,055	33,719	8
Second British Assets	Dec. 31	125,085		35,192	86,001	12,286	14,566	8		+ 1,324	64,298	16,009	8
Second Edinburgh & Dundee	Jan. 31	63,542		14,941	25,713	10,213	3,404	2 1/2	5,000	+ 403	95,802	32,291	20
Second Scottish American	Feb. 1	94,405		32,114	44,590	6,350				+ 1,434	45,677	23,792	1 1/2
Union Commercial Investment	Jan. 31	46,817		25,566	28,338	22,500	4,500	1 1/2		+ 73	42,143	10,322	2 1/2
Utilities & General Trust	Dec. 31	40,635		8,823	17,656	6,250	2,500	2					
Waterworks													
Newcastle & Gateshead Water	Feb. 1	436,211		150,588	261,289	75,262	76,170	9 & 6 1/2		- 844	432,227	146,768	9 & 6 1/2
Other Companies													
Barratt & Company	Dec. 31	76,142		64,703	225,870	19,500	35,100	27	10,000	+ 103	81,820	64,757	27
Beans Industries	Nov. 30	40,952		37,119	53,609	2,750	18,750	37 1/2	15,000	+ 619	42,986	30,703	37 1/2
Borax Consolidated	Sept. 30	650,586	75,000	119,658	376,749	40,000	48,750	7 1/2	30,000	+ 908	636,900	139,171	7 1/2
Bristol Waterworks	Dec. 31	482,736		160,821	214,173	68,002	77,735	6 1/2	15,000	+ 84	455,535	152,299	6 1/2
City Safe Deposit	Dec. 31	9,509		1,258	6,604	650	625	5		- 17	9,798	2,502	7 1/2
Crossley Building Products	Jan. 31	18,174		15,627	45,014	5,100				+ 3,027	13,224	13,224	10
Darnell (J.) & Son	Dec. 31	60,791	856	16,685	21,892		11,000	11	5,000	+ 685	36,965	13,540	10
Devas, Routledge & Co.	Dec. 31	13,810	956	10,855	31,449		7,000	5	2,000	+ 1,855	14,722	10,470	5
Engineering Components	Dec. 31	24,902		20,533	30,151	2,250	15,825	25		+ 2,658	22,230	19,553	25
English China Clays	Dec. 31	49,729		45,043	29,451	4,125	14,966	1		+ 2,143	35,173	29,365	Nil
France (Wm.), Fenwick & Co.	Dec. 31	143,546	40,634	32,912	48,762	4,125	28,125	7 1/2		+ 66	190,982	34,956	7 1/2
Hine Parker & Co.	Jan. 31	15,727		11,226	38,387	2,500	8,250	7 1/2		+ 476	19,642	11,142	7 1/2
Inverser Paper Co.	Dec. 31	251,325		90,889	145,186	75,341	7,226	6		+ 8,322	204,589	75,876	Nil
Johnson & Slater	Dec. 31	47,027	5,597	20,165	24,636	14,063	4,500	6		+ 1,602	23,030	6,085	Nil
Lewis's Royal Polytechnic	Feb. 8	48,415	6,000	40,058	44,626	3,250	24,000	20	5,000	+ 7,808	46,103	35,799	20
Lloyd (Richard) & Co.	Dec. 31	150,820		14,970	20,380	1,089	7,500	20		+ 6,381	155,732	12,382	20
Malindain (Albert E.)	Dec. 31	46,775	827	18,178	29,451	8,000	8	10,000		+ 178	28,980	16,019	8
Midland Counties Electric Supply	Dec. 31	329,632		272,841	295,835	81,250	120,000	8	70,000	+ 1,591	329,927	273,549	8
Morris & Jones	Dec. 31	23,467		21,386	44,205	10,500	6,300	7	5,000	+ 414	24,096	22,265	7
Nathan (Joseph) & Co.	Sept. 30	174,773		82,942	106,614	51,000	7,964	10	20,000	+ 3,978	173,081	81,849	10
Oakey (John) & Sons	Dec. 31	57,085		49,933	56,252	6,000	32,046	12 1/2	10,000	+ 1,887	59,176	19,037	8
Peebles (Bruce)	Dec. 31	40,815	19,000	20,565	31,329	5,107	14,222	8		+ 1,236	34,197	19,037	8
Pullin (R. B.) & Co.	Oct. 31	107,087	8,307	30,080	31,407	11,250	16,613	20	10,000	+ 80	99,873	29,551	20
Robinson (Thomas) & Son	Dec. 31	94,764	8,913	30,534	65,501					+ 3,065	57,789	29,396	7 1/2
Rotherham (Jeremiah) & Co.	Jan. 15	47,755		42,386	64,913	10,000	30,000	5		+ 2,386	46,912	41,544	5
Rylands & Sons	Jan. 19	41,690		95,569	143,603	30,000	40,000	4	25,000	+ 569	106,293	102,405	4
Sainscourt & Sons	Nov. 30	91,900		25,240	34,502	12,500			10,000	+ 2,740	28,277	15,884	Nil
Stoddard Cabinet Co.	Dec. 31	9,042	759	2,984	4,160	1,950	1,000	5		+ 34	10,888	3,164	5
Southend Waterworks	Dec. 31	304,436		84,588	113,487	48,134				+ 36,454	249,031	70,430	Nil
Spencer (Melisham)	Sept. 30	28,687		11,373	26,966		6,882	10		+ 4,491	24,151	7,289	10
Squirrel Confectionery	Dec. 31	21,528	1,110	6,970	19,087		312	5,500	20	+ 8,842	26,477	Dr. 4,900	2 1/2
Union Cinemas	Dec. 31	423,511	60,000	129,553	191,887	9,861			100,000	+ 18,492	591,746	172,482	Nil
Variety Theatres Consolidated	Dec. 31	23,791		412,184	553,952	160,000	181,600	25	75,000	+ 2,584	320,111	397,480	7 1/2
Walker (P.), Warrington & Cain (R.)	Dec. 31	355,150	4,705	34,639	49,711		18,444	25	10,000	+ 5,795	62,934	37,969	25
Webley & Scott	Dec. 31	56,747		44,818	87,931	26,675	10,550	10 1/2		+ 6,971	85,051	57,551	16 1/2
West Hartlepool Steam Navigation	Mar. 31	79,817	35,000	48,935	73,145	6,939	20,488	10	21,000	+ 508	310,545	27,015	10
West Riding Automobile	Dec. 31	311,290	29,173										
Totals (£000's)													
January 1, 1943, to February 24, 1943	No. of Cos.	29	48,419	2,896	24,596	43,215	4,399	17,329		+ 707	49,140	26,178	
February 24, 1943, to March 10, 1943	726	12,627	454	4,873	8,150	1,556	2,430			+ 285	12,931	4,921	
January 1, 1943, to March 10, 1943	305	61,046	3,350	29,469	51,365	5,955	19,759			+ 992	62,071	31,099	

COMMODITY AND INDUSTRY NEWS

Paper Control.—The Ministry of Supply have issued the Control of Paper (No. 57) Order, 1943, which came into force on March 7, 1943, and establishes certain revised maximum prices for paper. The principal provisions of the Order are a reduction in the price of esparto (straw) paper of £1 2s. 6d. per ton and of cylinder-dried coated papers of 17s. 6d. per ton, while the price of vegetable parchment is increased by £6 10s. per ton and of ferro prussiate paper by £3 15s. a ton. Certain other amendments to the No. 52 Order are provided.

Control of Scrap Leather.—The Minister of Supply has issued the Control of Scrap Leather (No. 1) Order (S. R. and O. No. 337) by which he has taken powers to control supplies and the use of scrap upper and bottom leather. The Order, which came into force on March 12, 1943, makes the acquisition and use of scrap leather subject to licence and fixes a maximum price for all scrap leather. Manufacturers and repairers of footwear producing scrap leather in excess of 2 cwt. a month are required to segregate metallised and unmetallised scrap leather. Direction No. 1 issued under the above-mentioned Order permits the acquisition and use of metallised scrap leather without licence.

Control of Flax.—The Minister of Supply has made the Control of Flax (No. 17) Order, 1943 (S. R. and O. 347). This Order makes it obligatory for holders of wet spun flax yarns, with certain exceptions, to hold such yarns at the disposal of the Minister of Supply and notify the Flax Controller that they hold such yarns. It comes into operation on March 13th.

Women's Wages in Agriculture.—The minimum wage for women of 18 and over in agriculture was fixed last week by the Central Agricultural Wages Board at 45s. for a week of 48 hours. Girls' wages are to be 22s. at 14 years of age. Boys will begin at 23s. at 14, rising to 56s. at 20. Women's overtime rates have been fixed at 1s. 1d. an hour on weekdays, and 1s. 4d. at week-ends or holidays. Men's overtime rates are 1s. 5d. and 1s. 9d. an hour respectively.

Food Prosecutions.—During January there were 2,990 prosecutions under the Food Control Orders, of which 2,847, a percentage of 95.2, were successful. Convictions were secured against 26 wholesalers and 534 retailers, a conviction percentage of 0.130 per wholesale licensee and 0.089 per retail licensee. Fines up to £10 were inflicted in 2,377 cases, between £10 and £20 in 128 cases, and over £20 in 171 cases. In 40 cases sentences of imprisonment were imposed.

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
Total 1942	33,811	31,397	92.8
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	2,981	89.9
August	2,658	2,445	92.0
September	2,440	2,215	90.8
October	4,151	3,940	94.9
November	2,627	2,448	93.2
December	2,735	2,538	92.8
January, 1943	2,990	2,847	95.0

Source: Ministry of Food.

Raw Materials Guide.—The Ministry of Supply has issued, through the Stationery Office, the *Raw Materials Guide* (price 1s. net). The handbook is designed to be of assistance to traders. It gives particulars of the use and control of nearly 1,000 different raw materials, and the statutory rules and orders concerning them. It is intended to issue monthly addenda of changes in controls or in procedure, in order to keep the guide up to date.

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

	Daily Average Sales		Stocks (at end of Jan.)
	1942	1943	
	Nov.	Dec.	Jan.
(a) By Commodities			
Non-food Merchandise	+ 4.2	- 6.6	- 30.3
Piece-goods	+ 10.4	- 0.6	- 27.0
Women's Wear	+ 5.9	- 4.6	- 34.3
Men's and Boys' Wear	+ 2.0	- 6.2	- 23.6
Boots and Shoes	- 13.9	- 14.7	- 9.8
Furnishing Departments	- 13.2	- 17.7	- 8.8
Hardware	- 1.9	- 6.5	- 6.0
Fancy Departments	- 27.9	- 21.1	- 0.8
Sports and Travel	+ 10.4	+ 8.8	+ 5.0
Miscellaneous	+ 2.5	- 2.8	- 16.8
Food and Perishables	+ 5.3	+ 1.2	+ 1.8
Total	+ 4.1	- 1.9	- 6.5
(b) Districts			
Scotland	+ 5.2	- 1.1	- 5.1
North-East	+ 3.1	- 2.5	- 5.3
North-West	+ 2.5	- 3.0	- 6.5
Midland and S. Wales	+ 4.5	- 4.4	- 6.3
South England	+ 0.8	- 5.8	- 8.6
Central and West-End	+ 17.5	+ 14.7	- 12.7
London	+ 8.8	+ 1.9	- 1.8
Suburban London	- 1.1	- 5.2	- 6.1
Unallocated	- 1.1	- 5.2	- 6.1

Source: Board of Trade Journal.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5195

REGISTERED AS A NEWSPAPER

MARCH 20, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONE SHILLING

Labour in Transition	349	Lend-Lease Extended	353
First Things First	350	Blueprint for US Security	359
Servants, Not Leaders	351	Dismembered Yugoslavia	362

NOTES OF THE WEEK	354	INVESTMENT	366
-------------------	-----	------------	-----

Priorities; Regrouping?; The Franchise; Warning from Haute Savoie; Concentration; Tough and Right; Transport Command; Servicing the Weapons; Habeas Corpus; The German Navy; The Fall of Kharkov; The West Indies; Shopping Centres?; Collection of Income Tax; Savings and Assurance; Cardinal Hinsley; Shorter Notes.

Taxation in Accounts; The Railway Speeches; New Drapery Scheme; Heavy Industrial Results; Bradford Dyers Preference Payment; Dorman Long Report; Higher Electrical Equipment Earnings; International Nickel Expansion; Boot and Shoe Results; British Aluminium Recovery; Radiation Progress; A Tobacco Result.

AMERICAN SURVEY	359	INDUSTRY AND TRADE	370
-----------------	-----	--------------------	-----

Blueprint for Security; Lend-Lease; Congressional Backing; Run, Willow Run.

Industrial Health; Rates of Hire for Tramps; Concentration of Small Builders; British Rayon Federation; Digging for Victory; The Clothing Ration; Tin Supplies.

THE WORLD OVERSEAS	362	COMPANY MEETINGS	372
--------------------	-----	------------------	-----

Dismembered Yugoslavia; Italian Industry.

FINANCE AND BANKING	365	RECORDS AND STATISTICS	376
---------------------	-----	------------------------	-----

Keynes White Paper; Credit Management; Estimates Exceeded; Bank of Canada's Operations.

Labour in Transition

THE Labour party has entered a period of stress and strain. The next conference of the party will throw into relief three serious problems. First, there is the impatience of the rank and file in Parliament, and outside, with what they regard as the weakness of Labour Ministers in pressing the Labour case in the Cabinet; and the electoral truce has begun to fret and chafe them. Secondly, there is the old division between the trade unions and other sections, which has taken on a new importance with the tendency of Mr Bevin to look to industrial rather than to political action for the social guarantees of the future. Thirdly, there is the pertinacious plea of the Communists to be admitted into the party.

The Communist demand has been rejected by the party executive on the ground that the Communists, because of their extra-national connections and obligations, are not free to be loyal. But a number of important trade unions, including, according to report, the miners and the engineers, are said to be disposed to vote for an affiliation; and there is some confidence, among Communists, that their application may succeed if put to the vote, or at any rate may receive a significantly high proportion of the votes cast. It is impossible to dissent from the fear that, by admitting the Communists to the fold, with their chronic record of political sabotage, the Labour party

would be giving asylum to a Trojan horse of deft and insidious design—though it is perhaps symptomatic of the sense of uncertainty of its leaders that they should be so convinced that so small a minority of new members could exercise so destructive an effect. It is by no means sure that this bid for affiliation represents an attempt by the Third International to place a hold upon the Second—in the British context. In the longer term, it may rather be the first shot in a campaign to liquidate the Third International and to make the Second International the chosen instrument of extreme Socialism—which may, indeed, be the very danger that affrights the Labour leaders.

However this may be, it is certain that a battle is going on for the soul of the Labour party, in which this year's conference may well see a decisive engagement. At the moment, it is hard to see in which way the decision will go. There are three standard bearers—Mr Morrison, Mr Bevin, and, more anonymously, Mr Pollitt. Personally, Mr Morrison has jumped into the lead. In a series of speeches up and down the country, he has stated a precise and positive policy, which is Socialist only in name. He has become a chief spokesman of the progressive element in British politics. By his nomination to be treasurer of the Labour party, he has taken an option on the party

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)
Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 3,900 Agencies at Post Offices in Australia.

As at 30th June, 1942.—General Bank Balances ... £181,729,589
Savings Bank Balances ... 164,619,569
Note Issue Department ... 111,950,542
Rural Credits Department ... 2,421,174
Other items ... 20,380,871

£481,101,745

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts.)

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ... £12,000,000
Reserve Fund ... £24,000,000
Total Assets over ... £360,000,000

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

Address enquiries to

London Branch:

108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

NATIONAL BANK OF INDIA, LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from 17th March to 30th March, both days inclusive.

By Order of the Board.

R. L. HIRD, General Manager.

26 Bishopsgate, London, E.C.2. 9th March, 1943.

THE EASTERN BANK, LIMITED

The TRANSFER BOOKS will be CLOSED from the 19th March to the 29th March, 1943, both days inclusive.

By Order of the Board.

C. L. MANNING, Secretary.

2 and 3, Crosby Square, London, E.C.3. 12th March, 1943.

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Notice to Shareholders. The Sixty-second Annual General Meeting of the Shareholders of the Company, for the election of Directors to take the places of retiring Directors and for the transaction of business generally, will be held on Wednesday, the fifth day of May next, at the principal office of the Company, at Montreal, at 12 o'clock noon. The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London at 3 p.m. on Tuesday, the fourteenth day of April. The Preference Stock Books will be closed in London at the same time. All books will be reopened on Thursday, the sixth day of May. By Order of the Board. F. BRAMLEY, Secretary. Montreal, 8th March, 1943.

MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION, LIMITED

NOTICE is hereby given that the TRANSFER BOOKS of the Company will be CLOSED from the 1st to the 14th April, 1943, both dates inclusive, for the preparation of Preference and Ordinary Share Dividend Warrants. Warrants will be posted 14th April.

By Order of the Board.

F. W. CATER, Secretary.

Toll End Road, Tipton, Staffs. 11th March, 1943.

leadership. But it is very difficult to know how far Mr Morrison has been speaking for his political colleagues, either in the party or in the Cabinet. The attitude of Mr Attlee, the party's nominal leader, is hidden from the public gaze. Mr Bevin's attitude has been made plain enough. It is a trade union attitude that looks to the collective bargain between organised sections of industry as the future sanction of democracy; and Mr Bevin is a strong and forceful personality. Finally, there are Mr

Pollitt and his Communists who, though they have no real chance of obtaining the influence over the Labour movement that they are so industriously jockeying for, may prove to be the essential catalytic agent in the process of fissure and re-integration that will produce the Labour party of the next decade. The course of these events will decide whether the Labour party or some other party is to strive for the New Democracy against embattled sectionalism and restriction.

First Things First

IT is a sound instinct that has led the American public to attach unusual importance to Mr Anthony Eden's visit. Mr Eden has become, in recent months, almost without challenge the second man in the British Government. He is a long way ahead of the field as favourite for the reversion of the Premiership and of the leadership of the Conservative party. Mr Churchill's dogged refusal to think about the future, together with his own comparative youth, have served to make Mr Eden one of the forward-looking figures of the Cabinet. Moreover, the character of the staff he has taken with him proves that the future is one of the important items—and perhaps the most important item—on the agenda for the talks in Washington.

If this is true, then the visit is well-timed. The renewal of the Lend-Lease Act has just passed through Congress with surprising ease and speed, and the foundations of American war policy are confirmed for another year. By coincidence, Mr Eden arrived in Washington on the same day that six Senators, from both parties, published their concern with the foundations of American post-war policy in the form of a draft resolution which, if passed, would commit the Senate to five principles of far-reaching importance for the future settlement. The climate is thus favourable for talks about the peace. The Administration has just had its hands strongly upheld, and the Senate—the other and equal power in American foreign policy—is showing that it is engaged upon the problems. Mr Eden has gone to visit the President and the Secretary of State. But he is not likely to forget that a British Foreign Secretary must also reckon with and, through the medium of public opinion, negotiate with the United States Senate. This is what lends particular importance to the initiative that has been taken by Senators Austin and Wagner and their colleagues. Six Senators do not make the Senate, and their resolution may not pass in its original form. But a sound policy that originated within the Senate itself, and was watched over at every stage by that jealous body, would have an infinitely better chance of being embodied in permanent American policy than any policy, however perfect, that the Administration kept to itself.

There is another sense in which conversations about post-war policies are appropriate now. The time has come for the United Nations to move from the vague and general in their declarations of policy to the precise and specific. The need for precision has existed for three and a half years, and the cause of the United Nations has suffered from having nothing to offer but the unhappy ambiguities of the Atlantic Charter, which can be quoted in support of a distressingly wide variety of policies. But precision hitherto has been impossible on a joint basis. The Governments, as one by one they came into the war and faced the manifold problems of mobilisation, have not all had time to do their thinking, or to find out from the course of public and semi-official discussion how much common ground exists.

There are, of course, two very good reasons why the outer frontiers of post-war policy must remain undefined for a long time to come. First, until the last gun is silenced, no one can tell how much will be possible. And, secondly, until all men can speak freely, no one can tell how much will be agreed. It would be vanity to suppose

that a comprehensive plan could be worked out in advance—or even that it should be at a time when so many nations are in chains and so much of the manpower even of the free nations is, in effect, silenced by its more urgent duties.

But this need not stand in the way of an attempt to crystallise such agreement as already exists. Such a statement is very badly needed—now that the inevitability of German defeat is beginning to be accepted in Europe—as propaganda to turn the hesitant into helpers. And it is also very badly needed as a basis for action. When peacemaking began in 1919, the Allies were already in agreement on the main principles of the settlement—and committed to them. Without that prior agreement, the settlement might never have been achieved, and the alliance might have fatally broken up at the peace table. Without some prior agreement this time, the United Nations will hardly know how to proceed when, as Mr Churchill put it, they “run out of Huns”—and the confusion will be the greater because there is not now, either between or within the nations, even as much agreement on the fundamental philosophies of politics and economics as there was in 1919.

What is required, in short, is some latter-day equivalent of the Fourteen Points—not as a basis for a negotiated peace, but as a guide to action after the enemy's unconditional surrender. The analogy with the Fourteen Points is not exact. In the first place, Woodrow Wilson did not speak for any nation but his own—and not even for his own as the tragic sequel showed. This time there must be prior agreement, between President and Senate and between at least the major United Nations. Secondly, in order to secure the maximum of agreement, such a preliminary statement should be as modest as the necessities of the situation allow. In the complex state of the present world, every step that such a statement took beyond the manifest and immediate purpose of overthrowing Germany and Japan would be liable to offend someone. To be a weapon of unity, such a Declaration of Purpose should be restricted to the essential minimum. Everything that is a *sine qua non* of a sound settlement should be in; everything that is desirable without being necessary should be left out, the proper subject of further discussion. The purpose of the Declaration would be to commit as many nations and individuals, governments and legislatures as possible to what is inescapably essential and, for the rest, to let hopes and ideals, agreements and disagreements roam freely.

This is not, of course, the place to begin the drafting or even to suggest with any exactness the subjects that would have to be covered. Some of the points, nevertheless, are clearly emerging from the mists:

1. There will have to be a clause dealing with the complete, long-term Unilateral Disarmament of the aggressors, and possibly with other aspects of the treatment to be accorded them on which a similar degree of agreement may be found to exist.
2. There is verbal agreement on the need for an International Police Force—or at least on the policing functions of the major victors.
3. Less clear, but no less essential, is the basis of agreement on the law that the Police Force is to enforce—that is, on the Definition of Aggression.

4. Something would have to be said about frontiers. And it could hardly be said without a statement on the Rights—and Duties—of Small Nations.

5. To embody the previous points in a system, there would be need for a pronouncement on the International Organisation that is envisaged. Is the League of Nations to be revived? And if not, what is to take its place?

6. As a conjunction between the political and economic points, there is need for a re-definition of the Rights of Men, on the lines of the President's Four Freedoms, and a statement of the means to assure them.

7. The policy of the United Nations on Relief is already formulated and ripe for announcement.

8. It should by now be possible to declare a policy on International Trade and on co-operation to master the trade cycle, which would be more convincing than the famous Article Five of the Atlantic Charter.

9. There is need for a formal declaration by the rich nations—not by any one of them alone—avowing their policy towards the poorer regions of the earth, whether administered by them as colonies or not.

No prescriptive virtue is claimed for this illustrative list. It would avoid Clemenceau's criticism of the Fourteen Points (*le bon Dieu n'a qu'une voix*) and includes nothing on which drafting could not now begin. The aim should be to attain as much precision as will carry agreement. But agreement is the purpose, the agreement of those, whether legislators or executives, whose consent will ultimately be necessary. If the initiative of the six Senators, by the patient labour of the statesmen and politicians of both the United Nations and the United States, can be broadened out into such a platform as this, then a firm foundation will have been laid upon which wider-ranging hopes can be based.

Servants, Not Leaders

EIGHT weeks have passed since General Giraud and General de Gaulle met at Casablanca. Although the gulf between the two movements has been definitely narrowed in the last few days, they are still apart; yet the need for unity grows more and more urgent as the evidence piles up to show that the resisting French, both inside and outside France, are being confused by the existence of two separate and competing movements.

There was the example of the French sailors from the French warship *Richelieu*. Some of the men, complaining that their officers are for Vichy, left the ship and went to Canada to enlist with General de Gaulle. There were reports of a number of French seamen detained by the Fighting French authorities at Dundee because they wished to transfer to General Giraud. This was a nonsensical and perilous situation. No navy so divided against itself can fight, and fighting is, after all, the first duty of French seamen outside France. The sailors are not an isolated case. In the army, and in the administration, there has been a similar clash of loyalties and such divisions must grow worse the more they are prolonged.

The situation in Yugoslavia is an unhappy example of the military frustration that must result when nominal allies divert their attention from attacking the enemy to attacking each other. The case of France is not so tragic as this. But who can deny that the drift has been in that direction? Fighting in a more violent form has started in France. The first guerilla *communiqué* has been issued. Yet the news of it caused some surprise and some consternation. Was it concerted with the general Allied plan of reinvasion? Was it certain that the rising revolt would

not be confused by the issuing of contradictory instructions from Carlton Gardens and Algiers? This uncertainty and confusion have already arisen in Poland. Are they to be repeated in France? If agreement cannot be reached on so uncontroversial a question as defeating the Germans, it can certainly not be reached on the future organisation of the French State. General Giraud saw this very clearly when he said in his broadcast last Sunday:

The union [of all Frenchmen] is essential. Union in the struggle alone can ensure union in the reconstruction of the homeland after victory.

Unity must be the first objective. How far away is it? The signs are confused. There is progress to record in the stated aims of the movements—the Fighting French memorandum issued to the public at the end of last week and General Giraud's striking broadcast to the world from Algiers a week ago. Both movements agree that unity is essential. The Fighting French add to General Giraud's words on union the rider that this implies “unity on the basis of one legislation and of the direction of effort by one and the same organisation.” General Giraud echoes this—“There can only be one French army facing Germany.”

A notable step forward was General Giraud's total repudiation of Vichy. All legislation made since June 22, 1940, he declared to be “null and void,” since it was enacted by an unauthorised Government. He repudiated the armistice in the name of the French people. This is one big barrier the less. The Fighting French had laid down renunciation of the armistice and of the Vichy



EQUITY & LAW
LIFE ASSURANCE SOCIETY
Established 1844

Wartime Service

● In view of the absence of staff on War duties it has become necessary as a temporary measure to close certain of the Society's Branch Offices.

● Arrangements have been made to ensure that the Society's policy-holders and annuitants will receive the best possible wartime service.

Head Office: 163/4, STRAND, LONDON, W.C.2. Telephone: TEMple Bar 0381
(temporarily transferred from 20, Lincoln's Inn Fields)

regime as a minimum condition of co-operation. The General's declaration also meets the second guarantee demanded by the Fighting French—the restoration of civil rights and liberties; and it will have the secondary effect of bringing the legal and political framework of North and West Africa into line with Fighting French territory, where the laws of the Republic were officially restored. General Giraud warned his listeners that the abolition of the Vichy decrees could not be carried through "at a stroke of the pen" but, as a first step, he announced the voiding of all racial laws and the restoration of the municipal assemblies and *conseils généraux*.

The vital point of agreement between the two statements is the recognition that the French people alone can decide their future form of government. "No organisation can substitute for national sovereignty," says the Fighting French memorandum. The General repeats, "I give the most solemn assurance to the people of France that their sacred rights to choose their provisional government will be fully safeguarded."

The ground of general principle is now clear. As Mr. Churchill put it in his statement to the Commons: "In order to achieve the liberation of France through victory Frenchmen everywhere outside the Nazi power should act loyally against the common enemy without a day's needless delay." In view of General Giraud's speech and the National Committee's memorandum, it now appears that no question of principle divides these two bodies of Frenchmen. Unfortunately, there is still a gulf fixed between policy and its application. The good faith of General Giraud is beyond question, that of many of his political subordinates is not. The very honesty and guilelessness of a man who prefers to call himself "a simple soldier" are drawbacks in controlling the semi-quislings, place-seekers and dispirited *petits fonctionnaires* through whom his generous decisions on policy may have to filter down. Outside opinion was given a rude reminder of their outlook when, on March 2nd, the Vichy anti-Jewish laws of November last were suddenly published in the *Journal Officiel* of Algiers. The incident led to the dismissal of M. Bouni, the official responsible, and to the closing down of the Bureau of Jewish Affairs. But how many more Bounis are there? The case of the political prisoners, too, is by no means cleared up. On the other hand, the resignations of General Bergeret, who worked with the Italo-German Disarmament Commission, and of M. Rigaud, chief of internal affairs and largely responsible for many of the political arrests, are signs of notable headway, the best steps forward taken so far. Even better is promised by the report that M. Jean Monnet, a noted liberal, and one of the most distinguished of the Frenchmen who have hitherto held aloof from organised resistance, is on his way to North Africa.

On the side of the Fighting French, some tendencies give grounds for alarm. There is too much "personalism" in the movement. General de Gaulle would do well to adopt General Giraud's claim that he is "the servant of the French people, not their leader." However necessary it may have been, in the confusion of 1940, to focus the allegiance of Free France on one man, this should have come to an end with the creation of the National Committee. But this organ, owing to its constitution, is not a Cabinet but a *conseil du roi*. All this might be harmless enough, if it did not mean a cleavage between the Gaullisme of France, which is synonymous with "total resistance," and Gaullisme outside France, which has the character of a personal allegiance. The temptation to make use of the myth which has grown up round a name to enhance the power of a person is not unknown in the history of France. It has always been disastrous.

Whatever doubts and question marks may still attach to the two movements will be set aside once there is certainty of a genuine rapprochement. So far, discussion on the possible ways of securing unity has been limited to the Fighting French statement that the best way to achieve unity would be to incorporate North and West Africa in Fighting France by "the enlarging of the

National Committee"; but the message sent by General Giraud to General Catroux, General de Gaulle's liaison officer, saying, "I am ready to receive General de Gaulle in order to give this union a concrete form," has received a friendly reply from General de Gaulle, and "it is to be expected," says the National Committee, "that General de Gaulle will shortly leave for Algiers." Yet will either General be prepared to act as "Deputy-Leader" to the other? However ready they are in the future to hand over their powers to the French people, are they ready to make personal sacrifices now for the union which—on their own admission—would alone make that transfer of power possible?

The new signs are immensely more favourable. Yet a successful fusion is still not certain, and if these new steps lead to nothing—as did the Casablanca conference—and the situation again reaches a deadlock, the Allies would not be able to shirk the responsibility of helping to break it. It is wholly justifiable and entirely right to wish to interfere as little as possible with Frenchmen who are endeavouring to restore the unity and sovereignty of their country. But it may be moral cowardice not to intercede when their actions may be frustrating the cause of victory and liberation. Britain and the United States are trustees for the people of France, for the simple reason that both General de Gaulle and General Giraud were sponsored by them. Without Anglo-American support, neither General would be leading a great movement to-day. It is extraordinary how often this simple fact is overlooked. If some of General Giraud's officers are planning to send a fascist army to the liberation of France, they are planning to do it with Anglo-American equipment. If General de Gaulle is using his prestige to create a personal following inside France, he is doing so with British funds and the aid of the BBC. If, as a result of this, civil war were to become inevitable in France, Britain and America would have forged the weapons and helped to create the split.

If agreement cannot be reached—and there are high hopes now of an accord—there is still an alternative. The Generals themselves have pointed the way. They have denounced the Vichy interregnum. General de Gaulle has restored republican laws in Fighting French territory. General Giraud has restored the municipalities in North Africa. Both have returned to the Republic which now, as in 1875, may prove to be the regime "that divides men least." So far the return to the Constitution has been only at the periphery. Why not restore it as far as possible at the centre as well? Some sixty or seventy deputies and a few Senators are now outside France. More could be brought out by the same route as M. Philip and M. Massigli. These men, meeting at say, Casablanca (the town is already a symbol) could form an *Assemblée Nationale de Guerre*, in which might be vested trusteeship for France *Outremer*, and which could be the effective centre of sovereignty. As its executive organ, the assembly could appoint from among the many distinguished administrators, scientists, lawyers, economists and technicians of the Monnet type a *Conseil de Guerre* to carry through the orders of the National Assembly. If it were thought advisable to add soldiers to this *Conseil*, they would, in conformity with the French Constitution, return to civil life during their period of office.

Such a reorganisation cannot be discussed in detail. It is only necessary to point out here that deadlock between the two Generals, should it unhappily recur, does not exhaust the possibilities of unity, for there is a practicable way of ensuring it by subordinating both Generals to the only power they recognise, a power based on the choice of the French people when last they were able to give it free expression. Such a National Assembly would not last longer than the process of liberation, and its last task would be to prepare for the general election of a new Constituent Assembly. In the meantime, it could be at once a symbol of unity and a pledge of continuity and a power, under which both General Giraud and General de Gaulle could prove that they are, indeed, servants not leaders of France.

Lend-Lease Extended

THE Lend-Lease Renewal Bill, over whose fate many heads were shaken earlier in the year, went through the American Congress last week with remarkable speed and ease. After one amendment had been rejected by the House of Representatives, the Bill as a whole passed with only six dissentient votes. The Senate passed the Bill unanimously in a single day, and the President was able to sign it on the exact day of the second anniversary of the original Act. In this very satisfactory outcome, which is discussed in more detail in a Note on page 360, the most gratifying aspect is the absence of any limiting amendments. There was never much doubt that the essential principle of Lend-Lease would be endorsed, but in the early days of the new Congress it was feared that it might be impossible to fend off the legislators' desire to interfere both with the present working of Lend-Lease and with its post-war sequel. This danger has not departed, for an Appropriation Bill, to provide the necessary funds, will have to make its way through Congress in the next few weeks. But wrecking amendments are now most unlikely, and the Administration will be on strong grounds in resisting anything that would qualify a principle so emphatically endorsed.

The favourable vote is in part due to the skill with which the President has been handling the new Congress. He has smiled upon its members and taken up none of their challenges, concentrating all his efforts on what is really important. But a great deal of the success is also to be ascribed to the excellence of the case for Lend-Lease. As some of the ex-isolationist Senators were at pains to declare, Lend-Lease has justified itself even in the eyes of the most case-hardened nationalist.

It is important, however, to be quite clear what constitutes the excellence of the case, for definitions of it could vary considerably. To many Americans, for example, the real benefit of Lend-Lease is that it limits the shedding of American blood. This motive is by no means unworthy—the supreme advantage of America to the cause of the United Nations lies in its production rather than in its manpower—but to regard Lend-Lease as a device for limiting American liabilities is not quite the way in which it is looked upon in other countries. Other Americans are impressed by the unexpectedly large reciprocal benefits that the United States is receiving. The magnitude of "reverse Lend-Lease" is not yet perhaps realised by the American public, but Congressmen were greatly impressed by the evidence they were given. They were told that the American Army in Great Britain spends only \$25,000 a month on supplies; that the United Kingdom will provide 400 million lb. of food in 1943; that India has built and turned over more than a score of airfields; that the British Government pays 65,000 civilians who work for the US Army; that American military hospitals in the United Kingdom are 85 per cent equipped by the British—and so forth in a list of items that is staggering in its length.

But to other peoples, and more particularly to the British, the unexpected size of Reciprocal Aid is only an incident—though a particularly happy one—in a policy whose appeal goes far beyond the lore of nicely calculated less and more. That the needs of the American troops in Britain should be provided free of charge has come to be regarded as a matter of course. What is really epoch-making in the Lend-Lease policy is that in it the world's richest nation adheres to the principle of "from each according to his means, to each according to his needs." How far the adhesion goes is not yet quite clear; but it is certainly more than accidental and temporary. The famous Fifth Report to Congress stated the principle, which cannot of course be applied evenly to all nations, because rich nations like Britain or the United States can plainly apply a higher proportion of their resources to war purposes than poorer nations like China or India, without any greater sacrifice.

If each country devotes roughly the same fraction of its physical production to the war, then the financial burden of war is distributed equally among the United Nations in accordance with their ability to pay, and although the nations richest in resources are able to make larger contributions, the claim of war against each is relatively the same. . . . The money costs of the war will fall according to the rule of equality in sacrifice as in effort.

But this is merely a pronouncement of the Administration, which (as must always be remembered in dealings with America) does not bind the United States or commit Congress. There is no means of discovering what the policy is actually likely to be in the future other than that of assaying the state and trend of public opinion. Last week's vote makes it virtually certain that Lend-Lease will operate as at present for the rest of the war (though the formal renewal is only for twelve months). There was much discussion during the Committee hearings of the Lend-Leasing of food and other non-warlike stores, and since these also have been approved, it is legitimate to suppose that the needs of relief in the immediately post-war period may be treated in the same way—that is to say, such quantities as are available will be delivered without payment, though it does not necessarily follow that as much will be forthcoming as the hungry nations may desire. The policy of an international police force to keep the peace after the war is won is now approved in America by a sufficiently large section of the public to encourage hopes that the burden of its equipment would, if necessary, be shared among the participants on Lend-Lease principles.

Beyond this, all is guesswork—and some of the signposts are not very encouraging. For example, a poll of American opinion taken a few weeks ago showed an overwhelming majority in favour of the extension of Lend-Lease and a majority—only a bare majority, it is true, but still a majority—in favour of exacting payment after the war from the beneficiaries of Lend-Lease. It would be a grave mistake to imagine that the attitude of the American in the street is other than this. Moreover, in the discussions that are going on about the necessity of using American capital to open up the less developed parts of the earth, the favourite figure of speech is that of an "international RFC"—and the Reconstruction Finance Corporation is a body which prides itself on the profits it has earned. These are warnings. They are not necessarily fatal; a large and influential body of opinion is constantly at work to preach the gospel. Policies may be possible in two years' time that are as much in advance of the present state of opinion as Lend-Lease itself is in advance of Cash-and-Carry. But clearly nothing can be taken for granted about the part that Lend-Lease is to play in the post-war world.

Moreover, even if this hurdle is surmounted, there are questions to be answered about the technical possibility of fitting Lend-Lease into a post-war framework. At first sight, the position would seem to be fundamentally similar. The great difficulty that Lend-Lease was invented to solve—other nations' lack of dollars—is likely to continue, for a long time after the war. But, on a closer view, difficulties arise. First, there is the question of repayment. If the American people want to be repaid for wartime Lend-Lease, they are still more likely to want repayment for peacetime Lend-Lease. But if so, the whole operation becomes a new method of making international loans, valuable for its emphasis on the non-monetary reality behind loans, but subject to the basic difficulty of all loans, that the debtor can make payment only in goods which the creditor must accept; and the new problem becomes the same as the old one, the height of the American tariff. Whatever devices may be adopted for the working of world economy after the war, their effectiveness must hinge in large part on the readiness

of the United States to fulfil the functions of world creditor, on its willingness to buy goods as well as on its willingness to make loans.

Let it, however, be assumed that the condition of repayment can be waived. After the first period of relief and rehabilitation, the nations' shortage of dollars will not arise, in the main, from their desire to import capital goods from America for special schemes of construction, out from their ordinary trade. The difficulty of the sterling area, for example, will be that, with the market for rubber and tin gone, and with the general disruption of British exports, it will be difficult to earn as many dollars as will be needed for the automobiles and typewriters, the machine tools and tobacco which, in conditions of relatively free trade, this country would wish to buy. This means that, if Lend-Lease is to make a contribution to the solution of the problems of international trade and finance, it is a portion of the ordinary everyday exports of American industry that must be lend-leased. When a man has income to cover only three-quarters of his expenditure, it is of little assistance to offer to enlarge his house on special terms. But of all the probabilities, it is the least likely that the American public will be willing to extend Lend-Lease to the regular transactions of ordinary commerce.

Furthermore, there is the added complication that, in all probability, the post-war world will once again be a buyers' market, the circumstances of which will be very different from the peculiarities of a wartime sellers' market. If the United States lend-leases cotton and wheat and aircraft, will the other producers of these things be best pleased—especially if peacetime Lend-Lease, like

wartime Lend-Lease, carries with it restrictions on the exporting freedom of its beneficiaries? This consideration applies with particular force to precisely those goods to which Lend-Lease is most likely to be applied—namely, capital goods for development schemes. The essence of the present position is that the goods that are lend-leased must be obtained from the United States because they are not available—or at least not in sufficient volume—from anywhere else. But this is most unlikely to be the post-war position, and there would be universal agreement on the undesirability of converting Lend-Lease into a desire to buttress the competitive position of American exports; nor is Congress likely to appropriate funds for that purpose.

These questions do not arise from any desire to deny the service that can be rendered in peacetime by the generosity and the practical collaboration that produced Lend-Lease. They do, however, suggest the necessity of abandoning the easy assumption that the expedients of wartime either can or will be applied to the conditions of peace. Those conditions are not, after all, sufficiently similar. The strictly financial problem, it is true, is likely to be the same—namely, a shortage of dollars. But the economic problem is different. In wartime, the world badly needs more American goods. In peacetime, unless the world can sell more of its goods to America—which is the key consideration—the problem is more likely to present itself as a need for fewer American goods. In this, as in so many other matters, the need is not blindly to continue the techniques of war, but to use the idealism and the comradeship of war to work out new and more appropriate techniques of peace.

NOTES OF THE WEEK

Priorities

The economics of war remain as inexorable as they were in the days of dearth and danger two years ago. Mr Shinwell, in last week's discussion on merchant shipbuilding in the Commons, spoke with alarm about the alleged extent to which food stocks are being tapped because of shipping difficulties. Whatever the truth of Mr Shinwell's unsubstantiated charge—and, in any case, it would be better at a pinch to encroach on food stocks than to reduce the inflow of raw materials—it remains a fact that, while shipping losses remain high, the double task of maintaining the war effort at home and of supplying and ferrying expeditions overseas is perilously hard. The fact that shipbuilding increasingly exceeds losses is only a long-term advantage. The yardstick of success or failure is still the number of ships and cargoes that arrive safely at their destinations. Mr Shinwell himself is not fully aware of the economic choices involved. His root-and-branch demand for faster ships overlooks a threefold dilemma. Fast merchant vessels, escort ships and tanks are in many respects mutually competitive industrially, that is, in the requirements of machinery and materials for their manufacture. The programme builders on both sides of the Atlantic have had to balance the demands of offensive warfare for merchant ships, escorts and armoured vehicles, with their limited stock of machinery and materials in mind. The balance may not have been struck correctly. It may have been struck at too late a date. But the fact remains that, while the materials and capacity available are limited, in relation to the rising demand and because of the bottlenecks that restricted shipping space and shipping losses have created, the prime problem is still to cut the coat according to the cloth—in spite of the immense productive achievements of both Britain and the United States. Germany, on the defence, is faced with a stark choice between maintaining war output and replenishing the depleted ranks of the *Wehrmacht*; they cannot do both, because of the shortage of manpower. The Allies, on the attack, are faced with similar alternatives at a higher level, with the choice between expanding war output still more and mounting their planned offensives with greater speed; and it is the impediments that exist to the flow of materials and men across the ocean which cause these alternatives to press so hard upon Allied policy in this, its crucial phase.

Regrouping?

The middle-aged aches of the Labour party are discussed in an article on page 349. There are noises off from the Conservative side, as well. The Conservative Private Members (1922) Committee has become the Conservative and Unionist Members Committee. The metamorphosis is important, if only because the members of the 1922 Committee still hold the balance of power in the House of Commons. The significance of the change is that it admits Conservative Ministers to membership of the Committee, which thus ceases to be an entrenchment of backbenchers. In one sense, the Committee, by this simple change, has entirely altered its character, and become much more akin to the organisation of the Parliamentary Labour Party. It is true that the pundits say that the change is only nominal, and that Ministers will not in fact attend or be active in the Committee's deliberations. This remains to be seen. Meanwhile, the possibility cannot be ignored that the intention, however vaguely and tentatively it may be envisaged yet, may be to exercise over Conservative Ministers the same sort of control as is exercised—lately with varying degrees of success, it is true—by Labour members over their Ministerial colleagues. It has always been claimed by the Conservatives that the difference between the rigidity of the Labour party organisation and their own looser party machine, except in matters of voting, was a mark of democratic freedom—a freedom made possible in practice by the selection of Conservative candidates with sufficient means to stand on their own feet financially. Has the decision now been made that the Conservatives, too, must close their ranks? If so, the result could only be an increasing pressure to the Right on Conservative Ministers, in response, perhaps, to the tendency of some of the younger Conservative Members to lean somewhat Leftwards—a tendency which has also been crystallised in the permanent Social Reform Committee set up by the Conservative MPs who called, in the recent Beveridge debate, for a Ministry of Social Security. It is doubtful whether the 1922 Committee would be able to resist content with greater control over Ministers. The next stage would seem to be greater control over the party itself; and it is not impossible that some time in the future may see the party conference, under their control or that of the social reformers, coming to occupy something like the decisive and disciplinary place that is occupied by the annual conference of the Labour party.

The Franchise

Sir Richard Acland is frequently accused of being an impractical person. His amendment in the Commons on Tuesday to postpone the writ for a by-election in the Eddisbury division until the register could be brought up to date was doomed to be heavily defeated on a vote; in the event, the Ayes were 12, the Noes 178. Yet Sir Richard's unprecedented action in moving this amendment, an action which set the party powers-that-be all a-flutter, was well timed and shrewd. He put the problem in a nutshell. "If you can register people for chocolate, if you can register them for fire-watching, you can certainly register them for democracy—not all over the country, but in the constituency as by-elections come up." The reason usually given in official circles for the smallness of polls at by-elections is the disinclination of electors to concern themselves with political controversy while the war is on; other pundits put it down to apathy. These are both contributory causes, but a main quantitative reason for the small proportion of votes cast in relation to the number of voters on the register is surely, as Sir Richard Acland argues, the obsolescence of the register itself. Because the register has not been brought up to date for several years, some millions of rightful electors are disfranchised, including all the young people who have reached the age of citizenship since the register was last made up and a very large number of people of all ages who have moved, because of the war, from one constituency to another. If elections are to be held at all, with any pretence of seeking a representative result, it is absurd that any possible step should be left untaken to remedy this state of affairs. It is true that whatever solution is tried may produce a very imperfect result; but it would be nothing like so imperfect as the present position. The Government, as Mr Attlee pointed out on Tuesday in somewhat worried tones, is considering the findings of the recent report of the Committee on Electoral Reform. Although the Eddisbury writ has gone forward, Sir Richard Acland's gesture in seeking its postponement may well speed the Government on its way to a sensible decision on this grave and anomalous matter.

Concentration

Inevitably, appraisal of the 1942 bombing offensive occupied much of the four hours which the House devoted last week to debating the Air Estimates. As usual, the Government case was presented in terms of impressive absolutes. Sir Archibald Sinclair gave figures: two thousand factories damaged, one million two hundred and fifty thousand tons of steel output lost from the Ruhr and Saar, one million persons rendered homeless since the start of bombing. There has also been a steady increase in the weight of bombs dropped, rising to a peak last month when the total weight, in attacks which reached stunning proportions compared with the worst yet done by the *Luftwaffe* to British towns, was half as big again as in any previous month. As usual, too, the critics, of whom Mr Boothby was the most constructive, applied relative standards. The 1942 offensive, it was claimed, had been disappointing, mainly because Bomber Command had not received any substantial increase in the number of planes available—although obsolete types have been replaced and a much greater bomb load can now be carried by a force of the same numerical strength. The number of casualties decreases as the number of planes employed increases, once the point has been reached at which the ground defences are saturated. Concentration in time and space provides more punch and less waste. Bomber Command knows this well; its complete application is inhibited only by the incessant calls of many targets and of other fronts, over the seaways as well as in land theatres. In war economic terms, there is one simple comparative measure of the efficacy of this strategic bombing. Is the damage done to the enemy's war effort greater or less than the effort that has to be exerted to keep up the bombing offensive, with its calls on output and its casualties? In last week's debate there was curiously little discussion of the relation of the bombing offensive either to war economy or to high strategy as a whole. There was no suggestion that the war can be won by bombing alone, and few hints that the recent remarkable crescendo of attack is the direct prelude to invasion. On the other hand, the function of long range bombing as one essential medium of attack, and as a means of containing planes and troops in Western Europe, was more widely appreciated than in previous debates. At the moment there may be no conflict between bombing and operations in other elements—though some observers, with Tunisia in mind, might dispute this. When the "invasions" of Europe begin, there will be. The bomber force will be needed to force an entrance, and there will not be enough bombers to saturate both the defences of industrial Germany and those of the coastal fortresses. It is because this moment of choice will come that it must be fervently hoped that the Second Front has been planned as a combined operation of all available forces.

Warning from Haute Savoie

European guerillas have become a rather romantic feature in the popular press. Yet there is nothing romantic about the dilemma that is inherent in all guerilla fighting. Poorly armed partisan bands are helpless against regular army and police forces, unless they act in conjunction with other regular forces. This has partly been the case even in Russia. Outside of Russia, the only guerilla warfare on any considerable scale has occurred in Yugoslavia, favoured by the mountainous character of the terrain and by the traditional fighting methods of the Serbs. Elsewhere, underground movements have been reluctant to resort to this costly and usually futile way of fighting. Yet in most occupied countries the point is arriving when despair and impatience inevitably begin to produce these heroic but hopeless outbursts. This seems to have happened in Haute Savoie, where resistance to the *relève* has taken the form of guerilla action. According to the Swiss press, the movement is spreading to other remote and hilly districts, and embraces men and officers of the demobilised French army. The Vichy police has been unable to put down the *franc-tireurs*, and Axis forces are moving to the scene. The new guerillas are causing an additional drain on the invader's forces; but this gain is almost certainly not sufficient to counterbalance the inevitable loss of French patriots and the sense of frustration that unsuccessful revolt must bring in its train. But what is the alternative? The stage has been reached when less drastic forms of resistance to the Sauckel-Laval call-up in France have become more or less ineffective. A similar position has arisen in Poland. There the Germans are expelling tens of thousands of Polish peasants from the defence belt on the Bug. The uprooted villagers are forming partisan bands which operate from the forests. To attempt to stop these activities would be as futile as to attempt to make them spread still more widely. This insoluble dilemma springs from the delay in the Allied invasion of Europe which would change the whole position at a stroke and give guerillas all over the Continent a new purpose and a clear hope. The events in Haute Savoie are thus an ominous and urgent warning.

Tough and Right

Two events, one large and one small, give another welcome indication that the Government's former reluctance to exercise the wide powers it possesses to impose the most efficient organisation and methods upon vital war under-

Export
and
Import
Banking
on
Sweden



SKANDINAVISKA BANKEN

takings is lessening fast. The first and larger event has been announced in the key sector of aircraft manufacture. The Minister of Aircraft Production has appointed Mr K. A. Layton-Bennett to be Authorised Controller of Short Brothers, Limited. About a month ago the Minister obtained the addition of Sir Frederick Heaton to the board of Short Brothers as chairman, in order to strengthen the management of the company, which is particularly concerned with the production of heavy bombers. The appointment of Mr Layton-Bennett has followed logically.

Owing to certain difficulties, which have arisen in the carrying out of the chairman's duties the Minister has, after considering all the circumstances, decided that, in order to safeguard production at Short Brothers, Sir Frederick Heaton's position should be strengthened by the appointment of an Authorised Controller.

In short, these steps have been taken in order to ensure that, in both quantity and quality, the output of heavy bombers shall be brought up to the high level demanded by the present great bombing offensives, and by the requirements of the vast combined operations that lie ahead. No one, except apparently some existing managements, will question the firm action that Sir Stafford Cripps has taken. In place of the dogged opposition that he is said to have encountered within the industry, he deserves the utmost praise and support. So, too, in a much smaller corner of the war effort, does the Minister of Fuel and Power, whose North Eastern Regional Controller has decided to close a colliery near Rotherham, and to direct its workers into other, presumably more productive, pits—precisely the kind of action that was promised last year, but from which the authorities have so far shrunk.

Transport Command

A second subject brought to the fore by the debate on the Air Estimates was the creation of a Royal Air Force Transport Command. This news led to a heated discussion of the precise relationship of the new Command to British Overseas Airways and of its relevance to the civil aviation controversy. The Government spokesmen gave away a minimum of information. The House was told that the formation of the new Command was directly due to the promised delivery of sufficient numbers of transport planes by the United States.

In addition to controlling the operations of Royal Air Force transport squadrons at home, the Command will be responsible for the organisation and control of strategic air routes, for all overseas ferrying and for the reinforcement moves of squadrons to and between overseas theatres.

RAF Ferry Command will be subordinate to Transport Command. British Overseas Airways will remain a separate civil organisation working in close co-operation. The scope of the new Command appears to be reinforcement, ferrying and the military counterpart of civil air transport. All this is obviously essential groundwork for the mounting of the final offensives of the war; indeed it is overdue. What the House of Commons was not told was the name of the Commander-in-Chief of the new Command (though this was announced shortly after the debate), nor indeed the names of any of its leading personnel; no statement was given of its exact relation, as a transporter of troops, to Army Co-operation Command; or of the precise nature of the tie-up with BOAC. In the absence of this kind of information, criticism, as Captain Peter Macdonald pointed out, is likely to beat the air. In any large-scale assault on enemy-occupied territory, the line between invasion and reinforcement will be a fine one; if the precise nature of the liaison between those responsible for carrying airborne divisions—not small groups of parachutists—into action, and those responsible for supplying and reinforcing them is not yet defined, the outlook for the most effective co-operation is not good.

First Mr Stokes and then, on the amendment, Mr Burke, expressed some anxiety that the new air transport arrangement may in fact be run by the rump of the commercial flying interests, who in the course of time may find themselves heirs to the only transport planes capable of launching British civil aviation after the war. Time will show. It is impossible to tell whether the new Command, which must be welcomed in principle, will in practice prove the boon it undoubtedly could be to the development of air transport for both war and peace purposes. The answer depends on whether the aircraft designers, now being withdrawn from combatant units, are to be employed to design transport types, for the future as well as for the present; on the

success or failure of the pending international negotiations on civil flying; and on the ability of the British Government to make a positive policy appropriate to the need, and to apply it. Transport Command has two crucial functions to fulfil. It must help to assure the success of the combined invasions of Europe; and it must provide a proper, fruitful nucleus for post-war commercial aviation. Whether it is capable of performing either of these tasks adequately, neither the House nor the nation is yet in a position to judge.

Servicing the Weapons

As important as the production of war equipment is the need for maintaining its fighting efficiency. The battles in North Africa have demonstrated that the striking power of an army is measured, not only by the volume of equipment originally supplied, but by the proportion of it that can be maintained in serviceable condition on the field of battle. For more than three years, British factories have been pouring out a growing volume of fighting equipment, and the need for trained personnel to handle and maintain it has grown in proportion. Efforts have been made to increase the supply of qualified technicians to industry by intensive training courses through the grant of state bursaries, and to the Services through the scheme of engineering cadetships by which large numbers of young men are qualifying for technical commissions. Nevertheless, it was obvious that the time would come when an increasing proportion of qualified personnel must be transferred from production to use and maintenance, even at the risk of reduced output. This stage has now been reached. In order to carry out the transfer as efficiently as possible, and to avoid the dislocation of production, it has been decided, as a first step, to take a census of qualified technical personnel in industry, aged 20 to 45. The census will be taken next week. Broadly, the categories of technicians that will have to register include men who have served a general apprenticeship in mechanical or electrical engineering; men who have completed an apprenticeship confined to a particular engineering craft and are holding positions above the rank of foreman or are employed on highly skilled tasks, such as design, testing, progress research, rate-fixing, plant installation; and men with academic qualifications in mechanical or electrical engineering. Men falling within any of these categories of technicians may be offered technical commissions. There will be no wholesale calling up of technicians. Men will be transferred to the Services as and where required. They will be needed chiefly, but not exclusively, by the Army. Initially the rate of transfer is likely to be slow, but it may be speeded up appreciably later.

Habeas Corpus

The last public meeting attended by Hitler was the annual Nazi beerhouse assembly in Munich on November 8, 1942. At that meeting many noticed his changed appearance and more than usually hysterical manner. Some said it was as though a ghost laid 19 years ago had been raised from the dead. Here was once again the trivial shrieking demagogue of the abortive Munich *Bierhalle Putsch*. Since November, there have been no more public appearances, no more speeches. January 30, 1943, the tenth anniversary of the Nazis coming to power, was passed over in silence; only a proclamation appeared. Again on February 24th, the anniversary of the founding of the Nazi Party, there was no speech, but a proclamation. Now Heroes' Day has been postponed. True, during this time it has been reported that the Führer received Antonescu (on January 13th) and Doenitz (on February 3rd). A meeting with the Gauleiters is also said to have occurred and photographs were issued. But it is easy to dismiss all these meetings as bluffs and fakes. And so, in fact, they are dismissed. Neutral papers—particularly the Swedish press—have come out with a crop of rumours. Hitler is insane. Hitler has a severe mental breakdown. Hitler has a return of his throat affection. Hitler has a tumour on the brain. Now Dr Goebbels has taken a hand, and has helped to confirm the suspicions by declaring to a special meeting of the foreign press that

the Führer is in the best of health and is still responsible for the conduct of higher operations. I am in constant touch with him by telephone and correspondence.

If the Nazis are really worried by the rumours, they have an easy solution: to produce the body. But are they

worried? If the removal of the "masterhand" is responsible for the German gain at Kharkov, there must be many generals content to see their Führer "rest." And for the Allies the goal remains unchanged, Hitler or no Hitler—the unconditional surrender of Germany.

The German Navy

The replacing of Admiral Raeder by Admiral Doenitz has been followed up in recent weeks by a sweeping reorganisation of the High Command of the German Navy. Inevitably, many commentators have suggested that the changes presage new and striking methods of U-boat warfare. According to this theory, Raeder was dismissed for faulty U-boat tactics and for his failure to use the surface fleet in co-operation with the U-boat packs. But if Hitler had been dissatisfied with the conduct of the U-boat war, he would hardly have appointed Doenitz, who has been entirely responsible for it. As for the theory that the Germans will now make more use of their surface fleet, it is a myth: they always have made very full use of it, both in conjunction with the U-boats and on operations of its own. The first blood in the Anglo-German contest was the battle with the *Graf Spee* late in 1939. Early in 1940 the entire fleet was used for the invasion of Norway. After the fall of France, German heavy cruisers and battleships were operating as raiders in the Atlantic; and in March, 1941, the Germans claimed that for the first time in naval history ships of this heavy calibre were co-operating closely with the U-boats. The *Bismarck* met its end in May, 1941, in the course of just such a combined operation. These tactics were continued once the war with Russia had begun. In February, 1942, the *Scharnhorst*, *Gneisenau* and *Prince Eugen* were transferred to Norwegian or Baltic bases, and the surface fleet has been a constant menace to the British convoys to Russia. There have been surface raiders in the Indian Ocean and the Pacific. The use of both raiders and submarines is the basis of German strategy, and will not change. More U-boats are being used now than in 1941, because there are more U-boats available. It does not imply a change of tactics. The German surface fleet has been, from the first, too weak to take on the British and American Navies. It is still too weak, and must be used chiefly as an auxiliary to the U-boat. Yet there must be some explanation for the changes, and politics, not tactics, may supply the answer. Hitler inherited an Army and a Navy in which the officer corps was dominated by officers of the old school, technically efficient, but with no particular political leanings. This state of affairs could not be tolerated in the Army, for the Army was the key to Hitler's purpose, and had therefore to be under Nazi control. Ever since 1933, the process of dismissing the non-political generals and bringing in the convinced Nazis has gone on. Every now and then, dramatic failure or dramatic success brought these changes into the limelight—for example, at the beginning of 1938, in the winter battles of 1941, and again in the autumn of 1942. The Navy, occupying a subordinate part in the Nazis' general strategy, has not gone through this steady process of purging. Now, when something very like a "crisis of confidence" threatens Germany, it is probably essential to give the control of the Navy to thoroughly Nazi officers. Hitler will not have forgotten that the rot started in 1918 among the sailors.

The Fall of Kharkov

The recapture of Kharkov by the Germans is grievous loss to the Russians. Once again, it has been proved that he who holds the Donetz basin holds Kharkov too. The Russians did not succeed in clearing the Donetz, and the loss of Kharkov followed almost automatically. The Russians have, however, managed to disentangle their overstrained forces in time, and in Kharkov they only fought a delaying action. They are probably using the time gained to regroup their forces for effective counter-attacks which seem, in fact, to have begun in the Byelgorod region, between Kharkov and Kursk. The immediate objective of the Germans seems to be to re-establish the line they held last summer before they started the big offensive. They may therefore try to retake Kursk, too. But even if they succeed in this, they will have regained nothing but the entrance to the blind alley into which they ran, and out of which they were run, last year.

The West Indies

Tuesday's debate on the Civil Estimates was devoted to the West Indies, and it is a welcome sign of the increasing interest in the colonies that this subject, instead of a home one, was chosen. Members had before them two recent White Papers as pegs for their speeches: the new constitution proposed for Jamaica, and Sir Frank Stockdale's report on his development and welfare schemes in the West Indies. To these, Colonel Stanley, who opened the debate with his maiden speech as Colonial Secretary, added a third heading—the work of the Anglo-United States Caribbean Commission. The first has found favour in the House, and, according to Colonel Stanley, its reception "has been not unfavourable" in Jamaica, where the main political groups are now giving it careful consideration. There was also general approval of the work of the Anglo-American Commission, which is rightly regarded as an example of international co-operation, not in administering the colonies, but in trying to solve their problems, that might well be copied in other areas which are under the sovereignty of several powers. Most of the discussion was, as a result, concentrated on the Stockdale Report. It is generally regarded as a valuable and far-seeing document, but further consideration of it prompts one or two serious reservations. One was stated by Mr Creech Jones: though it is recognised in the report that the present system of land tenure is highly unsatisfactory and one of the major causes of unrest, no real attempt at reform is proposed—presumably because any such question as the redistribution of land is outside the Comptroller's province, and has not yet been decided upon by the Colonial Office. The other serious gap in the report—the absence of any fundamental economic proposals—is fortunately to be remedied. Colonel Stanley said that Sir Frank Stockdale now has an economic expert in addition to his other experts on health, education, welfare, labour and agriculture, and he hopes that a survey will be made of the requirements for establishing secondary industries in the Caribbean. He also hinted that a new advisory body may be set up at the Colonial Office to give advice on "big economic questions." It is the absence of any answers to such questions that is at present impeding plans for the real development of the colonies.

Shopping Centres?

In the present unplanned conditions, the number and size of shops varies greatly from one district to another. The Association for Planning and Regional Reconstruction is studying the problem of rationalising retail distribution in the post-war world; and though it has not yet come to a definite conclusion, its object is to discover some relation between household spending and the turnover necessary for the efficient working of various types of shop, and then to group the shops according to the needs of the households concerned. A new PEP broadsheet takes the same line. It claims that, while every residential district needs certain local shopping facilities, modern developments, notably standardisation and transport, indicate that shops need not be so close to the consumer's doorstep as has

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

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

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

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

hitherto been usual in the older parts of towns. In brief, PEP suggests that there should be shopping centres and sub-centres. The sub-centre, for shops which the customer needs to visit often or at short notice, should be within half a mile of all houses served. This grouping of shops would necessitate an even greater expansion of delivery services, although the danger that the costs of such services are eventually paid by the consumer in higher prices is recognised. But there are other serious drawbacks to the planning of retail trade. Both the Association and PEP ignore the fact that their suggestion for grouping shops in centres plays into the hands of the trade associations, because it implies that the number of shops will be limited—an objective which nearly every important retail trade association is striving to achieve. "The sub-centre should certainly contain one chemist," says PEP. And "a neighbourhood large enough to support such a group of shops could also have a greengrocer or two..." Does this mean that if a more enterprising, and cheaper, greengrocer or chemist wanted to open a business, he would be prohibited? It is quite true that planning has a part to play in retail trade. The rationalisation of the milk round, to reduce costs, has possibilities for peace as well as war; and, as PEP points out, there is a great need in town planning to segregate shopping areas from the main traffic routes. But if, as is implicit in its suggestions, shops are to be licensed, and a condition of the grant of a licence is the maintenance of fixed prices, one of the last remnants of free enterprise will have gone.

* * *

Collection of Income Tax

As a footnote to the article on "The Collection of Income Tax," on page 331 of last week's *Economist*, two changes to be made in the tax deduction scheme on May 1st, and announced by the Inland Revenue on March 15th, must be recorded. First, if an assessment under Schedule E is adjusted in the course of the period during which the tax corresponding to it is deducted, and if the amount of the tax already deducted exceeds the corrected amount due for the whole deduction period, the employer will immediately refund the excess to the taxpayer. This avoids delay and will make it unnecessary for the taxpayer, except in special circumstances, to claim repayment direct from the Inland Revenue. Secondly, salaried employees and weekly wage earners—except weekly wage earners in the building and civil engineering industries, to whom these arrangements already apply—on leaving their employment, will be given forms by their employers showing the amount of the weekly or monthly tax deduction. On taking up new employment, the taxpayer will give this form to his employer, who will then continue deduction at the rate shown, until further instructed. The new arrangement, by ensuring continuity of deduction, is designed to avoid the accumulation of tax liabilities which has caused hardship occasionally. The two changes are welcome improvements in the tax collection scheme; but they, of course, leave unchanged the main problem of putting the system on a pay-as-you-go basis.

* * *

Savings and Assurance

During the debate on the Beveridge Report in the House of Commons, last month, the Government, while accepting Sir William's suggestion that death grants should be one of the benefits paid by the state under a unified system of social insurance, rejected his suggestion that the business of industrial assurance should be converted into a public service. The industrial assurance offices will be

free to develop voluntary forms of insurance, such as endowment insurance, which already accounts for a substantial proportion of their business. If the Government assumes the responsibility for paying death benefit, it will naturally be in the interests of the offices to aim at expanding the volume of other business. That they will take every opportunity to do so was suggested by an article in the *Insurance Mail* on March 10th:

During the next few months there is to be an intensive drive for savings to aid the war effort. . . . Millions will answer this call for a patriotic effort. . . . Insurance men and women will aid the drive to the best of their ability. . . . they may be able to convert some waverers by linking savings with life assurance. . . . Some offices make these bonds (savings bonds) available through the industrial branch by weekly contributions.

Necessary though it may be to secure an increased volume of saving, the endowment policies issued by industrial assurance offices have often been criticised, in the Cohen Report, for example, on the ground that this is an "expensive form of saving," and that there is a danger that "the industrial assurance agent, through the medium of his weekly calls at the houses of the people, should be able to forestall better instruments of saving than that which he provides." This argument would be strengthened by an attempt to canalise war savings into increasingly expensive channels. Sir William Beveridge, too, in discussing the future of the offices, bereft of part of their business, concluded that "it would leave the present defects of industrial assurance—of over-selling and excessive cost—in a narrower sphere, indeed, but still unremedied."

* * *

Cardinal Hinsley

The death of Cardinal Hinsley is a heavy blow to the Roman Catholic community, whose very beloved leader he was. The country, too, has lost a great patriot, and the Allied cause one of its warmest and most effective champions. Cardinal Hinsley loved the land of his birth deeply; he had a profound admiration for the British Empire, which, as Apostolic Delegate in Africa, he knew from the inside. He detested Nazism with an energy that made his broadcasts on the subject a thorn in the side of Dr. Goebbels and an inspiration to free men everywhere. He also understood Nazism. When in 1940 the Nazis set out to use in Britain the infiltration tactics that had been so successful in France, the Cardinal was among the first to expose and denounce their campaign, and to rally "all men of good will" to the support of the nation's cause in whose justice he so vigorously believed. Yet for all his immediate concern with his own country—and with its enemies—he did not once lose sight of the deeper issues behind the struggle and the longer perspectives of peace beyond victory. At a time when the more brutal and more material aspects of the war were weighing on men's minds, he spoke of their spiritual problems with a simplicity and directness that ordinary people could grasp. All he said and did manifested a rare quality of charity and good will.

* * *

Shorter Notes

The absence of the short rains in East Africa has caused the failure of the maize, potato, bean, and millet crops and produced a serious food shortage. Rationing has accordingly been introduced for the European and Asiatic communities of Kenya, and so far covers bread, rice and maize-meal. With a few exceptions, the position in the native areas is not yet serious, and the export of foodstuffs from them to non-native areas has been prohibited to conserve supplies. Maize, however, is short in the native areas as well, and the possibility of importing any is doubtful, since the South African crop, the most obvious source of supply, has also been affected by drought.

* * *

A German newspaper has now confirmed the German suppression of the Warsaw ghetto. This short note appeared in the *Donaueisung* of Belgrade on February 23rd:

It is reported from Warsaw that the dissolution of the Warsaw Jewish quarter in the autumn compelled the application of extraordinary sanitary measures, in order to make the streets concerned accessible for the general population and the houses habitable.

The number of Jews in the Warsaw ghetto was between four and five hundred thousand.

AMERICAN SURVEY

Blueprint for Security

PRESIDENT ROOSEVELT last week sent to Congress the reports on social security and demobilisation which he promised last autumn. Why the reports were held up is Mr Roosevelt's secret, but there is speculation in Washington whether this is the beginning of a New Deal offensive on the home front. At his press conference, the President pointed out that legislation was not enough; it took months of planning before contracts could be let which would provide work to absorb the unemployment inevitable upon demobilisation. It was up to Congress, he said, to decide whether at the end of the war there would be only jobs on paper or work ready for the demobilised men. This is an argument which cannot be lightly disregarded on Capitol Hill.

A certain amount of confusion has been created by the simultaneous submission of the two reports. One, the 600 odd pages of "American Beveridge" is a detailed and thorough-going analysis of the purposes, scope, and character of social security programmes, past, present, and future, in the United States, and concludes with a series of concrete recommendations for the extension, strengthening, and standardisation of social security measures. The other report begins with a new Bill of Rights for post-war America, and goes on to deal with such highly controversial subjects as the participation of the Government in private enterprise, particularly in natural monopolies and industries of crucial national importance such as aluminium, magnesium, shipbuilding and aircraft. The National Resources Planning Board is not popular with Congress—the House recently refused to appropriate funds for its extension—and the wider display of the Board's social and economic philosophy, provided by its report on military and industrial demobilisation, may prejudice consideration of its social security recommendations.

The ground of Congressional and business allergy to the Board is the Board's interpretation of the Federal Government's responsibilities and powers. But, while arguing that the existence of economic insecurity is in large measure due to "serious maladjustments in the operation of our economy, as well as to personal physical or psychological defects," the Board in its stress upon the need for a high level of employment and a national income of about \$100,000 millions a year in order to make its security proposals feasible, places a great measure of reliance on private enterprise. Included in its Bill of Rights is the right "to live in a system of free enterprise, free from compulsory labour, irresponsible private power, arbitrary public authority, and unregulated monopolies." Also included are the right to useful work; the right to fair pay; the right to adequate food, shelter, clothing, and medical care; the right to security, with freedom from fear of old age, want, and dependency; the right to education; and the right to rest, recreation, and adventure. In the Board's view, where private enterprise does not adequately assure these rights of the common man, it is the responsibility of the Federal Government, primarily, though in co-operation with state and local governments, and private organisations, to underwrite them.

The Proposals

The main instrument for attaining these rights is the comprehensive system of social security developed by the Board. The most striking feature is the insistence on the right to work. Work must be provided for all employables, and it suggests that a Federal works agency be established upon a permanent—but flexible—basis to provide jobs where private industry is unable to absorb the unemployed. The Board admits the short-term costliness of work relief, but believes that, in the long term, its material and non-material advantages to the community and the individual outweigh the costs. There should be intensified long-range planning of works projects, by the agency, by other agencies

of the Federal Government, and by state and local governments, and the Board urges that projects should be framed with an eye to the changing needs of the nation and local communities, the probable future demands for certain types of skill and experience, and the occupational and geographical distribution of the unemployed. Broadly, the same standards of performance, of pay, of hours, and working conditions should prevail on works projects as in private industry. Access to the work programme should be only through the public employment offices. The prime financial responsibility would belong to the Federal Government, although joint programmes might be developed. The need of increasing co-operation with states and localities is stressed.

The second main proposal of the Board is for a youth programme to equip young persons beyond the school-leaving age for the responsibilities of citizenship and earning a living. Three types of measures are recommended. The first is the provision of educational grants by the Federal Government to ensure educational opportunities for those who desire, and can benefit by, further schooling. Secondly, the Board is convinced that school curricula should be arranged to provide work experience for all young people during the school-attendance years. And finally, for those who are neither at school nor in private employment, the Board propose special youth work projects, which would in the main, be educational and would instil good habits of work and familiarity with the use of tools. These projects would not be limited to those in need. Special facilities for youth guidance should be provided both by the schools and the public employment service. The youth work programmes should be administered and financed nationally, with local participation where appropriate.

For the attainment of a basic minimum of security the Board places great reliance on an improved and broadened system of social insurance. National social insurance did not exist in the United States until 1935, when an Act was passed providing for old age, unemployment insurance and for Federal aid to the states for public assistance. At the time it was passed, the law was open to criticism on a number of grounds. The section of the present report dealing with insurance is mainly concerned with eliminating the gaps, the overlapping, the unwieldiness and certain inadequacies of the present law.

No provision has yet been made for disability insurance on a national scale. This is the most glaring omission in the present social insurance system, and the Board recommends that it be remedied to provide at least partial compensation for loss of income due to temporary or permanent disability.

It is generally agreed that the unemployment compensation provisions were the most cumbersome part of the Social Security Act, largely due to an attempt to preserve the authority of the individual states. A 3 per cent payroll tax was imposed on employers by the Federal Government, but 90 per cent of the funds received under the scheme were returned to the states, who were left to draw up and administer their own laws. The remaining 10 per cent was allocated to the costs of administration, and was divided between the Federal and state governments, at the discretion of the Social Security Board, presumably with the idea that a state could be penalised for failure to reach minimum standards. But there have been wide differences in the adequacy of state laws, in their requirements for eligibility, the duration and amount of benefits.

The Board recommends the replacement of joint Federal and state administration by a wholly Federal organisation, and the creation of a single unemployment insurance reserve fund, in place of the 48 now in being, to spread the risk and provide for more efficient use of reserves. If this is not done, it suggests that at least a "reinsurance" system, accompanied by Federal standards about eligibility, duration, and amount of benefit should be adopted. Part of the unemployment fund should be drawn from general tax

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

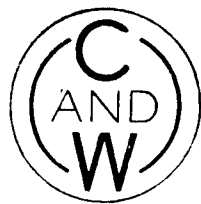
Head Office: 38 St. Andrew Square, Edinburgh

200 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38, Threadneedle Street, E.C.2.

West End Branch: 198, Piccadilly, W.1.



A TRIBUTE TO THE
MEN AND WOMEN WHO SERVE
CABLE AND WIRELESS
LIMITED

the all-British overseas telegraph company which operates the largest telegraph system in the world, with 300,000 miles of submarine cable and oversea wireless routes.

THE SUN has never set, nor sleep descended, on the men and women who carry to you dispatches, news or greetings from the world at war.

¶ In daylight, darkness, in dust of debris or under fire, the task, the ever-growing burden of service, is the same.

¶ From every fighting zone and every sea these men have carried you news, and when defeat has laid them low they have, though overborne by force, stood by their posts and sent the last defiant messages of hope and faith.

¶ Their lot is a silent watch, a ceaseless service, but in their very silence and in their quiet unfaltering duty they deserve unsought acclaim.

¶ For in the end they give their service or risk their lives that *you* may know how battles go, that *you* and all those overseas may know how the ever-changing hazards of war have treated you and yours.

sources. This is fundamental, in view of the existence of a national labour market, and the varying financial capacity of the various states. Among its other recommendations, the Board proposes that the duration of benefit should be extended to 26 weeks (the average is now 16); and that coverage should be extended to seamen, employees of non-profit making institutions and in general to all firms employing one worker or more. Consideration should be given to including in the scheme domestic, agricultural, and other lower-paid workers now excluded. Finally, the scale of benefits should be made adequate for self-support, and dependants' allowances should be instituted, and eligibility—now generally dependent upon earnings in a base period—might be made dependent on the duration of past employment.

The *old-age and survivors insurance* now in operation draws its funds from equal contributions from worker and employer, at present at the rate of 2 per cent of earnings from each. It is scheduled to rise to 3 per cent from each in 1949. The Planning Board in this case confines itself to recommending that the principle of a governmental contribution should be embodied in legislation; that coverage should be extended; and that study should be given to revising the benefit formulas and eligibility requirements, so that more of those covered may qualify for benefits, and the system may offer significant monthly benefits to a larger proportion of low-paid workers.

Insurance, however, will fail to meet many cases of need, and the Board, therefore, recommends certain changes in *public assistance* policies to eliminate gaps and provide adequate aid. At present, the Federal Government, under the Social Security Act, guarantees contributions to state assistance equal to benefits paid by the state up to \$15 a month. It follows that the wealthier and more generous states draw a larger Federal grant, and that the resident of a poor state is doubly penalised. The Board, therefore recommends that Federal grants be made to reflect differences in need and in fiscal capacity of the various states. The states should be required to distribute their funds to their local subdivisions on the same principles. It is here that a gleam of fierceness enters the sober pages of the report. If a state refuses to participate, or to comply with Federal standards, the Federal Government is to have the power to operate the programme in that state with its own staff, provided that a public hearing be held within the state. The states' programmes should provide, in the opinion of the Board, that assistance may not be withheld on account of race, sex, marital status or employment status or failure to have resided within the state for more than one year.

Social Services

The final pillar of the Board's edifice is the extension of *public social services* throughout the whole country, but particularly in regions at a financial disadvantage. First is the provision of adequate *medical care*, with special attention to the health of mothers and children. In addition, the expansion of state and local *child-welfare* services is recommended; the provision of *free lunches* for all school children; and that *surplus commodities* should be made available to the whole low-income population through the food stamp plan.

A number of general principles on the *financial administration of public aid* are included in the report. It is urged, for example, that reliance on consumption and ear-marked taxes should be avoided; and that public aid should be provided for as a normal and continuing expense of the general budget. Although emphasis is placed upon *Federal leadership*, the Board stresses the advantages of *de-centralised administration*, particularly on a regional basis, and lays down tests for the allocation of responsibility between the Federal government and the states and local governments. The importance of highly trained and experienced personnel, particularly in the employment service, which the Board makes the centre of its employment and training programmes, is urged.

American Beveridge

It was inevitable that the Board's report should have been nicknamed the "American Beveridge." It is inspired by the same principles, but in fact the two reports are very different. The Board's terms of reference were much wider than Sir William Beveridge's. Under the heading of employment it makes important proposals, whereas Sir William had to be content with assumptions. Again, the

social background and existing provisions for social security in the two countries is very different. Sir William's task was to unify an existing system of social security and to fill in gaps; the Board found many of the corner stones still missing and, for America, its proposals may seem correspondingly sweeping. Of Sir William's six fundamental principles the first, flat rate of subsistence benefit, is hardly applicable to America with its regional differences in standards and needs; there is no reference, in the summarised version to the second, the rate of contribution; the remaining four—unification of administrative responsibility, adequacy of benefit, comprehensiveness and classification—are to be found in the Board's report, adapted to American conditions. The report does not contain an estimate of the cost of its proposals; many of the financial details have still to be filled in; unofficial estimates range from \$5,000 to \$10,000 millions a year.

The proportion of welcoming articles which followed its publication was abysmally small. The genuine New Dealers in Congress have been delighted, but their voices have been drowned in an outburst of accusations of "Outright Socialism," "Bureaucracy Run Riot" and similar reactions on the Right and even in the middle.

Action during the present session of Congress is unlikely. But the cries of business, the horror of the conservative press, and the hostility of Congress will not necessarily bury the plan, although they will delay and perhaps modify it. There is every reason to believe that in this matter, as in so many others, President Roosevelt has correctly gauged the long-term development of the American temper. Experts on social security are unanimous in urging the speedy expansion of social security to provide a cushion for the post-war changeover to a civilian economy. But from the political side, this is, perhaps, not the ideal moment to convince the citizen of the urgency of action. Earnings are swollen; memories are short. In the end, however, there is no doubt that the American people will demand a more comprehensive and effective system of economic and social security. In great measure, such a scheme will unavoidably draw upon the principles laid down in the report submitted by the National Resources Planning Board.

American Notes

Lend-Lease

The Lend-Lease Act has been extended to June 30, 1944, without conditions or overt reservations. When it came to a vote, the opposition proved to be almost non-existent. The surprisingly solid vote for Lend-Lease was due, in large measure, to its own merits and to the good sense of both Houses. It was due also to the very great ability with which the Administration's case was handled by Mr Stettinius, the Administrator, by Mr Spiegelberg, the Recorder of the General Purchasing Board of the Army in the European Theatre of Operations, and by the host of other witnesses who testified to the invaluable part played by Lend-Lease in the prosecution of the war. Mr Stettinius, in particular, has been indefatigable and comes out of the investigation with a greatly enhanced reputation. Interest in the debate centred, not so much on the extension of the Act, which was considered a foregone conclusion, as in the fate of a series of amendments designed to turn Lend-Lease into a bargaining instrument and to introduce into its Administration a degree of Congressional control. None of these materialised. The amendment which, though it was not adopted, secured the greatest measure of support, was that introduced by Mr Vorys, Republican, from Ohio, providing for Congressional approval of the final settlement of Lend-Lease accounts and all master agreements entered into after June 30, 1943. This was defeated by 178 votes to 118. It shows, however, that it was the post-war implications of Lend-Lease that aroused the greatest uneasiness; not, it should be said, the question of repayment, but the possibility that the Administration might present Congress with an accomplished programme of reduced tariffs.

The total of Lend-Lease aid from March 11, 1941, to March 1, 1943, amounted to \$9,630 millions. Four-fifths of this amount was provided in the year just ended, and only one-fifth in the previous year. Of the total, \$7,831

millions represents the value of munitions, industrial materials and food transferred; \$1,801 millions is the value of services rendered. Perhaps most heartening was Mr Stettinius' statement that 90 per cent of the goods transferred have been shipped. The character of Lend-Lease has changed substantially since 1941. During the first year, munitions were only 35 per cent of all transfers; in the last three months, they have been 60 per cent, with industrial materials 24 per cent, and agricultural products, 16 per cent, providing a poor second and third. Over the whole life of Lend-Lease, aid to Britain, valued at \$4,430 millions, heavily outweighs that which has gone to Russia, \$1,826 millions; that to Africa and the Middle East, \$1,573 millions; and that to China, India, Australia and New Zealand, \$1,344 millions. But the emphasis is changing. In the second year of Lend-Lease, more than half of all shipments went to the fighting fronts in the Middle and Far East and Russia, against 68 per cent to Britain in the first year. The outstanding trends in the first two months of 1943 were the increase in shipments going to Russia; the sharp rise in the amount of food for Russia; the assignment of additional planes to the India-China air transport routes; and, finally, shipments to General Giraud's army and to the civilian population of French North Africa. For a vivid measure of America's industrial contribution nothing could surpass Mr Stettinius' statement that

In the past twelve months we shipped to our Allies under Lend-Lease or in fulfillment of previous direct purchase contracts 30 out of every 100 bombers we produced, 38 out of every 100 fighter planes, 28 out of every 100 light tanks, and 33 out of every 100 medium tanks.

* * *

Congressional Backing

This week four Senators have let it be known that they propose to submit to the Senate a resolution putting that body on record as authorising American initiative in setting up a United Nations organisation to co-ordinate military and economic resources in the prosecution of the war; to establish temporary administrations in liberated territory; to administer relief and economic rehabilitation; to establish machinery for the peaceful settlement of disputes between nations; and finally, to provide for a United Nations military force to suppress any future attempt at aggression. The document was said to have Mr Welles' tentative approval, and it has been discussed with the President; but support in Congress was not forthcoming from either. Recently in the United States there has been widespread and growing concern over the possibility of a split on foreign policy between the Administration and Congress. A number of plans have been put forward designed to clarify the position of Congress on post-war issues. It has been proposed, for instance, that Congress should vote on its adherence to the Atlantic Charter. An optimistic movement is under way to amend the constitutional provision that ratification of treaties must secure a two-thirds vote in the Senate, which makes minority obstruction possible. It is not necessarily true that attempts to put Congress' intentions on the record are always designed to strengthen the hand of the Administration. Some of the impetus behind these proposals comes from the desire to remind the world of the Congressional power of veto. The latest resolution is not one of these. Senator Ball, the main sponsor, is a Stassen Republican and has supported the President's foreign policy; and the two Democrats, Senators Hatch and Hill, are Administration supporters. Only Senator Burton has an isolationist record; but, although he

The MERCANTILE BANK of INDIA LIMITED

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

Branches and Agencies
Throughout the East.

INTEREST ALLOWED ON DAILY
CREDIT BALANCES.

opposed entry into the war, he has worked for international co-operation in the past. If the resolution provokes a definitive debate—and a firm answer—on Congressional intentions, this time before the peace, rather than after the settlement, it will serve a healthy and, perhaps, historic function. It should be said, however, that all the omens do not point to a speedy and favourable conclusion.

* * *

Run, Willow Run

The whirlwind Kaiser technique is now to be applied to the production of aircraft on a large scale. The famous shipbuilder has just been appointed to be chairman of the Board of Directors of the Brewster Aeronautical Corporation, which has plants in Pennsylvania, New Jersey, and New York. Brewster is only one of three aircraft concerns on which the Truman Committee is said to have put a finger, owing to disappointing production records. The others are the great Ford plant at Willow Run and the Curtiss-Wright dive-bomber plant at Columbus, Ohio. The explanations advanced for the failure of Willow Run to keep up with its schedules have varied. There is no doubt that tooling took longer than was expected; and it is sug-

gested that more attention to experienced aircraft experts is needed. But the principal difficulty appears to be wit labour. The *Wall Street Journal* is quoted as saying:

The world's largest factory will be this country's large armament flop unless ways are found to attract tens of thousands of workers to the Ford bomber plant and to make living conditions desirable enough so that they will stay. The main reason why it is so hard to keep workers at Willow Run is the lack of adequate housing. It will be remembered that last year the US Housing Authority had worked out plans for a "Bomber City" to house workers at Willow Run. This scheme was abandoned largely owing to opposition from the Ford Company, which insisted that the labour requirements of the new plant had been vastly exaggerated. It was also reported that Ford's opposition was based, in part, on certain external considerations—the unpleasant prospect of having, after the war, a city of unemployed at his doorstep; the possible change in the political complexion of the country and a less favourable tax position. These theories may do less than justice to the Ford Company. What is now clear is that the Housing Authority was right and Ford was wrong on the issue of the need for more accommodation near the factory. If Willow Run is to fulfil its promise as Bomber City, or some part of it, must be built.

THE WORLD OVERSEAS

Dismembered Yugoslavia

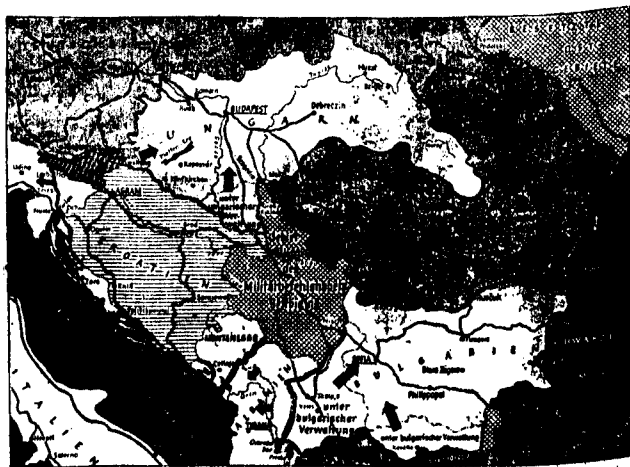
(By a Correspondent)

March 15th.

FOR almost two years, Yugoslavia has been under German, Italian, Hungarian and Bulgarian domination. The present territorial frontiers, as can be seen from the map showing the position in the Balkans to-day, which appeared in *Das Reich*, are even more complicated than in 1913-14. Important provinces have been incorporated in Germany, Italy, Hungary and Bulgaria. Croatia is an independent kingdom governed by the Ustachi. The former Serbia is under the direct military administration of Germany. Montenegro is under Italy; Bulgaria incorporated the greater part of Macedonia; and Hungary secured the fertile Banat. Since 1941, war has never ceased in the whole country, and all attempts at establishing a stable economic and political administration in the various new sections have failed. The activities of the guerilla bands seem to be directed mainly at communications, and the course of the fighting is indicated by periodic announcements that railways are either being put in working order again or being destroyed. So-called public works, organised by the Croat Government, or by the German military administration, concentrate on road-building and on the repair and construction of railway lines.

The copper, lead and zinc mines in Serbia are worked by German firms with forced Serbian labour, and occasional references in German papers show that the copper

mines are being exploited with the most modern machinery imported from Germany. It is the greatest single source of copper ore at the disposal of Germany, and it can be assumed that the annual output exceeds 1,000,000 tons. The output of the bauxite mines in Croatia seems to have declined further after it had already fallen in 1940 to 5 per cent of the record output in 1938. There is no indication whether the manganese, chromium, antimony and mag-



Cross hatching shows the new Serbia under a German military commander. The eastern tip of Greece is also under German military administration.

The new kingdom of Croatia is shown by horizontal hatching. Yugoslav provinces incorporated in Germany are marked by diagonal hatching.

Arrows extending from the Yugoslav territory which is shown white in the map indicate the parts occupied by Italy, Hungary, Albania and Bulgaria. Another arrow shows the part of Greece occupied by Bulgaria.

nesite resources, mainly situated in Croatia, are being exploited as energetically as the copper mines. But there has evidently been some agreed division of labour between Germany and Italy, for the entire manganese output of Croatia was put at the disposal of Italy. Yugoslavia's cement

Italian Industry

[BY A CORRESPONDENT]

THERE are strong indications that the situation of Italy's war industry has gone from bad to worse in recent months. The programme for hydro-electricity, which used to be the special pride of the Fascist State, has been postponed indefinitely because of the shortage of materials; it had been planned to increase the electricity supply by approximately 50 per cent, to about 30,000 million kwh in 1945 or 1946, and thereby to make a further extension of the country's industrial capacity possible. It is also admitted that the cost price of electric current has greatly increased in recent years, and the power supply of all factories, except those of special military significance, has been reduced to 85 per cent of their 1941 consumption. The supply of copper is particularly inadequate, and this metal is admittedly being replaced by other materials in the manufacture of certain instruments, even though the experiments made with these substitutes have not yet produced a definite result. No information is available about the present volume of coal imports from Germany, but the Germans admit that it is difficult for them to maintain the supplies at the agreed level of a million tons per month, and they intend to replace them partly by the transmission of electric current. The household coal ration in the city of Milan was again cut down this winter; the official ration was only about 20 per cent of the pre-war amount, but in practice no coal at all was available for many Milan families, at least until late in December. Special efforts are being made to increase the domestic output of coal and lignite, but the shortages of transport and of labour combine with geological difficulties to make this task extremely hard. A recent decree provides for the release from the Army not only of all miners, whether skilled or unskilled, but also of soldiers who have had no mining experience but who are considered suitable for work in the pits.

More generally, the manpower shortage, which has developed during the last twelve months, makes it impossible to use the traditional expedient of employing large numbers of unskilled workers instead of a few skilled workers combined with a great deal of high-grade machinery. This shortage affects particularly the war industries proper; industry, concentrated in Split on the Dalmatian coast, is directly in Italian hands. The meat and fruit canning industries are hampered by the low agricultural output, and by the lack of tinplate and other material. Last year's good crop of sugar beet could not be completely converted into sugar because of the bad state of the sugar factories. The chemical and textile industries suffer from a similar lack of machinery, and also of raw material. It may not be far from the truth to state that the entire industrial output is now, at the end of the second year of the occupation, below 50 per cent of the output of 1940. Another factor is the considerable shortage of labour. Out of 350,000 Serbian prisoners of war, 100,000 are employed in Germany; from Croatia 120,000 workers have been sent there, and 50,000 more are to follow soon.

Roughly, 80 per cent of the population of Yugoslavia are peasants. The greater part of them work on small plots, which have again become primitive self-contained units. The agricultural organisation of Croatia, modelled after the German *Reichsnaehrstand*, has remained a plan. In Serbia, the German Economic Commissar, Neuhausen, decreed the compulsory organisation of peasants in co-operatives, for the purpose of enforcing deliveries of cereals and particularly wool. In some parts of the country, machinery has been pooled in the villages, but it becomes more difficult to replace simple agricultural implements. Against this background, the new plans for increasing the yield per acreage or for the change-over to new crops, particularly oilseeds, are useless.

Food Shortages

No figures have naturally been published about the harvests in 1941 and 1942, and it must be doubted whether the different governments and administrations are even able to make an estimate. Generally speaking, it seems to be accepted that the cereal and root-crop harvests have fallen to some 50 per cent of the pre-war results. There is thus an actual shortage of bread grain and feeding stuffs. Effective rationing of foodstuffs is only possible in towns if the administration is able to force peasants to deliver cereals and other foodstuffs. Control is, however, very difficult, and can only be enforced by the prohibition of private threshing. The most important products which can still be forcibly exported are either prunes or pulses, small quantities of tobacco and some vegetable oil. In towns in Croatia, as well as in Serbia, so-called workers' kitchens have been established because of the lack of foodstuffs. Clothing, shoes and even tobacco are also rationed. Yet the rationing system is ineffective. Shopkeepers are forced regularly to declare their stocks, and it is clear that price control is useless. In Croatia, as well as in Serbia, maximum prices are regularly declared for all important foodstuffs, but the actual prices paid are four times, and even five times, the maximum prices. Black market activities are widespread, and there is no organisation to prevent them.

In spite of the general shortage of foodstuffs and materials, it is officially reported that, for the first full year after the defeat of Yugoslavia ending in September, 1942, exports from Croatia amounted to 1,970,000 tons, valued at Kuna 3,494 millions. Imports were, however, only 643,000 tons, valued at Kuna 5,004 millions. Germany's share in imports amounted to 59 per cent, and in exports to 57 per cent. The difficult food situation is indicated by the import of potatoes from Germany, although it has been reported that the acreage under potatoes increased in Croatia as well as in Serbia.

Recently, greater Italian interest has been reported, particularly in Croatia and in Montenegro. An Italian transport company has been founded, and Italian capital is said to have been used in the construction of an aluminium plant in Croatia, with an annual capacity amounting to 20,000 tons. German companies are, on the other hand, particularly interested in developing a mineral oil industry in the valley of the river Mur. Before the war, Yugoslavia's pig iron capacity amounted to 100,000 tons, of which two-thirds are located in Croatia. German concerns dominate this industry, but the output is probably very low at present. There is no coke production in Croatia, and imports have virtually come to an end.

Croatia's budget expenditure for 1943-44 is estimated at Kuna 16,374 millions, an increase of Kuna 5,483 millions compared with 1942-43. State enterprises require 48 per cent of the total. Revenue is estimated to balance expenditure. Yet the so-called national defence demands extraordinary expenditure amounting to Kuna 4,750 millions. The deficit is covered by the issue of Treasury bonds, which have already reached a total amounting to roughly Kuna 3,000 millions.



**"HIS
MASTER'S
VOICE"**

**RADIO RECEIVERS
AND RADIO-GRAMOPHONES**

(We regret that no Radiograms and only very few
Radio Receivers are available for the time being.)

INSTRUMENTS OF QUALITY

New "Peace Aims Pamphlets"
**THE FOUNDATION OF ECONOMIC
RECONSTRUCTION**

Professor John Macmurray 5d. post free

THE ECONOMIC BASIS OF PEACE

E. F. M. Durbin, A. A. Evans, Dr. Thomas Balogh
and others. 1s. 4½d. post free

Full list on application.

NATIONAL PEACE COUNCIL,
(Ref. Ec.) 144 Southampton Row, London, W.C.1

HEALTH AND FOOD RATIONS

WHAT IS A HEALTHY DIET?

Before the war many people suffered from malnutrition because they picked the wrong foods from large and varied supplies. Now, the way to be well fed is to make sure of picking the right foods which are still available, even though supplies may be restricted.

Keep a few good sound principles well in mind. *Natural foods are the best*—vegetables contain important vitamins and become plentiful from time to time; National Wheatmeal bread has many valuable elements which were lacking in white bread; milk is available for children, who need it most. Fish liver oil—another natural food—contains the protective and bone-forming vitamins and is an essential supplement to everyone's diet, whether grown-ups or children.

The newspapers, the B.B.C. and the Ministry of Food are constantly publishing excellent recipes. You will find it pays you well to follow them. Diet should be varied if you are to make the best use of it.

Think carefully about food selection. It is well worth your while

This is one of a series of announcements issued in support of the Government's food policy by the makers of

CROOKES'
HALIBUT LIVER OIL



it is known, for instance, that more than 25 per cent of the metal workers in the province of Turin are at present women, and most of them lack any previous experience. Manpower is also wanted, very urgently, for the replacement of recent war casualties and for the formation of new Army divisions; furthermore, the Germans want more Italian miners, factory workers, etc., to be transferred to the Reich. But no reports have been forthcoming in recent months of any further additions to the Italian labour force in Germany; their number may still be in the neighbourhood of 300,000 men and women.

The Germans naturally want their allies to adopt policy similar to that adopted in the Reich to cope with this emergency; they forced the Italian Government, in their trade talks last summer, to provide for the "rationalisation" and concentration of their manufacturing industries; in other words, for the closing down of unessential concerns. But the Italian Minister of Corporations declared even after he had yielded to the German demands, that it was still his policy to maintain a nucleus of export industries with a view to future development; the Italians are frankly concerned lest a further reduction of their "civilian" industries will prejudice their industrial status after the war. Even the announcement that the major part of Italy's toy manufacture would be closed down, in the interest of the war, was criticised in the Fascist press last year.

Various measures have recently been taken for the mobilisation of the country's manpower and womanpower though the tempo of this procedure has been, in some cases very slow. Until the middle of last year, the great majority of Italy's textile establishments was only allowed to work 32 hours per week or less, so that the available work might be spread among as many factories as possible. A minimum working week of 48 hours has now been decreed for all factories; but this decree does not come into force until April, 1943. Another decree, of January, 1943, provides for the conscription for war work of all males between 14 and 70 and of all females between 14 and 60 years of age. In spite of its drastic wording, this decree merely repeats a principle which was already formulated over a year ago; its practical effect will depend on how it is put into practice. It is, in any case, strange to note that the date when various lists of men eligible for war work are to be handed over to the employment exchanges, as a preliminary step to conscription, is as late as May 18th. As for the mobilisation of women, Stefani recently wrote that, in this respect, Latin countries should proceed with tact, in order not to disturb the national conscience. Other recent measures for the mobilisation of labour include the prohibition or reduction of various non-essential production processes and the extension of the scope of Italy's Essential Work Order.

Few Reserves

It is probably true to say that certain untapped resources of manpower are still available in Italy; but these resources are by no means unlimited—quite apart from the ability of the authorities to make use of them. The problem is complicated by the fact that the urban sector of national economy is comparatively small, while the land cannot be deprived of too many workers. The closing-down of unessential industrial establishments will certainly set free a number of workers, although Signor Gayda was probably justified in saying, in July last year, that many of these men and women cannot easily be transferred to more essential occupations. It is also interesting to note that the Italian press, while commenting on the "large numbers" of independent artisans, reports that these craftsmen often secure exorbitant remuneration, as their number is not up to existing requirements. Shopkeepers, professional men, etc., might still be combed out, but their usefulness for the war effort is certainly limited.

The Italians will do their utmost to maintain their munition industry on as high a level as possible, in order to avoid a greater dependency on the trans-Alpine supply routes in the present emergency. The Germans will only be able to secure for themselves an appreciable number of skilled or semi-skilled Italian workers if they risk a further deterioration in the war potential of their most vulnerable ally. They will hardly be able to resume the transfer of Italians to German fields, factories and coal mines on the same scale as in the earlier stages of the war.

Books Received

Quin's Metal Handbook and Statistics, 1942. (London) Metal Information Bureau, Ltd., Ibex House, Minorities, E.C. 3. 381 pages. 10s. net.
The Indian Problem, 1833-1935. Part I. By R. Coupland. (London) H. Milford. 160 pages. 6s. net.

THE BUSINESS WORLD

Finance and Banking

Keynes White Paper

After the leakage of certain details of the undisclosed "Keynes" plan for post-war currency arrangements, the Government has decided to publish the plan as a White Paper. The barrage of questions on this subject in the House of Commons on Tuesday elicited little specific information, except the negative assurance that the Bank for International Settlements plays no part in it. Sir Kingsley Wood repeated his recent assurance that, before any decisions are reached on this or any other scheme of monetary reconstruction, the House of Commons will be given full opportunity to discuss the matter. It is to be hoped that publication of the "Keynes" plan will be followed by publication of the American counterblast to the scheme. This is a plan generally attributed to Mr Harry White, an assistant of Mr Morgenthau, Secretary to the US Treasury. The White Scheme at present commands no ranking higher than that of a personal memorandum—similar to the status of the Keynes plan before it was accepted as a Treasury plan. It provides for an international gold stabilisation fund to which all gold-owning countries would contribute in the first instance, and which would provide an initial *masse de manœuvre* for setting international trade and finance in train again after the war. The scheme goes into considerable legalistic details about reserve requirements and other technical matters, but falters somewhat on the more realistic aspects of maintaining international equilibrium. Pump priming is not enough, however colossal the initial stimulus may be. In all discussions of these schemes sight must not be lost of the relatively subordinate role which exchange machinery will play in solving the basic problems of post-war trade. If, owing to tariffs and other obstacles, fundamental disequilibrium remains, no amount of pump priming, no ingenuity of multilateral clearing systems will prevent the machine from seizing up again.

Credit Management

The aftermath of London's Wings for Victory week has affected the position in the money market no more than did the abnormal movements of funds during the week itself. The Bank of England's management of the credit position during this exceptional period has achieved complete insulation of the cash basis from the large flow of funds to Government accounts. In the main, the insulation was achieved by the maturity and pre-encashment of Treasury Deposit Receipts, while the banks had themselves prepared for the rigours of last week by acquiring substantial amounts of the Treasury bills maturing in that period. A certain amount of deliberate delay in the machinery of cheque clearing was also brought into play, while good care was taken to hasten, within the possible limits, the flow of Government disbursements last week. The result was that at no time have the banks or the money market been at all conscious of a strain in the credit position. The test of the management is provided by the exceptionally low level to which the authorities succeeded in keeping the level of public deposits at the Bank of England. On Wednesday of last week the total was £4,743,000. The latest Bank return shows it to be £6,863,000. As is now usual, the minimum of credit is kept immobilised in Government accounts. This week again, the market has had ample supplies of short loan money. The Bank return shows a fall of £4,326,000 in bankers' deposits, but at £156,064,000 these are at a level still indicative of easy money conditions. The circulation continues to expand, the latest weekly movement amounting to £1,033,000, which carries the total of notes outstanding to the new record of £927,383,000.

Estimates Exceeded

The Exchequer returns covering the second week of March show both revenue and expenditure to have exceeded the original budget estimates for the first time.

With little more than two weeks of the financial year to go revenue has topped by £37,400,000 the estimate of £2,627,100,000 for the whole financial year. The expenditure at £5,299,792,000 is £13,313,000 in excess of the original estimates, but still £407,001,000 short of the figure subsequently revised for supplementary estimates. Barring quite abnormal alterations in the rate of revenue and expenditure in the final weeks of the year, the final outcome should provide a deficit not far removed from the figure of £2,659 million which appeared in the original estimates—an astonishing feat of prognostication, given the magnitude of Government revenue and expenditure and the arbitrary and unforeseeable influences to which expenditure, in particular, must be subject. The yield of income tax has already passed the estimate by £22,996,000 and on current indications is likely by the end of the financial year to exceed the estimate by about £100 million. The other sources of revenue which promise to show substantial surpluses over the estimates are miscellaneous revenue, which is already £66,103,000 above the estimated total, and excise whose yield to date—£404,800,000—is £38,095,000 in excess of the estimate for the whole year. This last comparison suggests that any calculations the Chancellor may have made as to the likely deterrent of higher duties on the consumption of beer and spirits have gone considerably astray. If it is the desire of the authorities to restrict such consumption and economise the materials and labour involved, the evidence of the Exchequer returns is clearly an invitation to "hit harder next time." The only sub-

Voice of the North



ASK TO SEE IT AT YOUR CLUB, LIBRARY OR NEWSAGENT

stantial source of revenue which looks like falling short of the estimates is EPT and NDC. The combined yield of these to date is £66,318,000 below the estimate for the full year, and unless the rate of collection is considerably hastened between now and the end of the month, the estimate will not be reached. It is believed that the responsible factor in this case is not a shortfall of the profits assessable to these taxes, but difficulties and delays which have been experienced in making the assessments.

* * *

Bank of Canada's Operations

The annual report of the Governor of the Bank of Canada to the Minister of Finance is a model of the information which a central bank should provide on the subject of its credit policy and the technical operations through which that policy has been implemented. Whereas in the United Kingdom the would-be interpreter of central banking policy has to grope through the hearsay of market gossip and through an anachronistic and uninformative Bank return, in Canada, as in the United States, the facts are divulged clearly in the periodic reports issued by the central banks. The only loser from this candour is the ill-disposed critic who batters on the secrecy and mystery which all too often veils banking operations, and central bank operations in particular. Among the factors that had to be taken into account by the Bank of Canada last year were sterling operations with the Foreign Exchange Control Board and the adjustment of the chartered banks' cash basis to the expansion in credit which accompanied the banks' direct participation in Government issues. During the latter part of 1941, the Bank of Canada

had begun to accumulate sterling sold to it under a repurchase agreement by the Foreign Exchange Control Board (this was the sterling which Canada began to accumulate in payment for war deliveries when the United Kingdom resources of Canadian dollars began to give out). By March 25, 1942, this sterling holding reached \$474 million. On March 27th, this sterling was repurchased by the Foreign Exchange Control Board and sold to the Government. The transaction took place in two stages. The Government used part of the proceeds of the Second Victory Loan to repurchase sterling at the end of March, and in June the Government sold \$193 million of short term securities to the Bank of Canada to obtain funds for the same purpose. The Bank of Canada's holding of Dominion and Provincial Government securities increased by \$107,929,000 during the year. In the first two months, \$175 million of short term securities were sold by the Bank of Canada to the chartered banks to offset an increase in the banks' cash reserves, which otherwise would have taken place as a result of the increase in the central bank's holding of sterling. These securities were repurchased early in March to offset the effect of the transfer of Dominion Government balances to the Bank of Canada pending the purchase of sterling by the Government. In the latter half of 1942, the Bank of Canada bought considerable amounts of securities on the market in order to maintain the cash reserve of the chartered banks at the usual ratio to deposit liabilities. The report also states that the Bank of Canada was called upon to grant credit facilities to banks subsequent to the issue of the Second and Third Victory loans. The chartered banks' holding of securities rose by \$485 million during 1942, these taking the form mainly of deposit certificates maturing within six months and bearing interest at $\frac{3}{4}$ per cent.

Investment

Taxation in Accounts

The Council of the Institute of Chartered Accountants are to be congratulated upon having circulated to their members a number of further recommendations for the reform of accounting practice. On this occasion, the suggestions—they are still not more than that—are mainly directed to the supremely important question of the treatment of taxation, and they are designed to make it clear how far the Inland Revenue and the shareholders participate in profits. The first group covers actual tax provisions. It is laid down as fundamental that the charge for income tax should be based on profits earned during the period of account. Where only the minimum legal liability has in the past been provided, this ought gradually to be brought up to the full amount due. The two sums and the bases for them should be stated separately. It is further suggested that taxed revenue should be shown gross and the tax included in the company's liability. With regard to EPT of holding companies, it should be indicated whether the charge is in respect of the group or whether part has been spread over the subsidiaries. If the amount falling to be provided for any tax is reduced by credits from the past, or if provision is made for the future, beyond the full provision on profits earned to the date of the accounts, these items should be separately stated. It is also recommended that future provisions should be included in the balance sheet, not as current liabilities, but either as deferred liabilities or as reserves. These are all matters of principle, and the changes suggested appear excellent and will go a long way both to clarify the position and to prevent the establishment of secret reserves. It is to be hoped that means will be found to give them even more force than is ensured by their origin.

*

Having established the need to give additional information, the Council goes on to prescribe the form in which income tax should be presented in accounts. This is a vexed subject among accountants, and it does not appear that the Council is prepared to be very dogmatic about it. Their first recommendation is that interest, royalty and similar payments should be charged gross and that dividends should be charged net, but they go on to say that, where a company continues to provide for dividends gross,

the narrative should indicate that the distributions are subject to income tax. These requirements fall considerably short of what is desirable, unless the earlier recommendations are to include a clear statement of the rate at which tax is calculated. Without such a statement on the accounts, it is impossible to calculate the gross cost of a tax-free dividend, which is stated net, or the net receipts by shareholders of less tax dividends which are stated gross. Of the three things, gross cost of dividend, net cost, and rate of tax applicable, two must be stated in the accounts. The final recommendation again refers to a matter of method, namely the inclusion in accounts of proposed profit allocations. Where these are subject to later confirmation by shareholders, many concerns still exclude them from the accounts, with the result that they have to be taken into those of the subsequent year. Uniformity is very desirable and there can be no question but that the practice of including items that have still to be sanctioned is the clearer. The Council, therefore, recommends the adoption of this practice by all, with the proviso that the items in question should be described as being subject to confirmation. With the possible exception noted above, these recommendations constitute a satisfactory advance, and no effort should be spared by all concerned to see that they are generally adopted.

* * *

The Railway Speeches

Despite the ban on publication of full railway results, it was hoped that the speeches of the four railway chairmen might contain information that would throw light on the post-war prospects of the lines. Unfortunately, such little information as was forthcoming was largely of a negative character. For the most part, the speeches were devoted to insisting that the railways had done a magnificent job and that they were enabled to do it, in part at least, by sacrifices of the shareholders in accepting low dividends in order that their property might be maintained in full efficiency. That the country should be grateful to the railway managements for the wisdom of their policy is true, but the policy has been of benefit to the shareholder as well, for, even if it comes to a sale of the property, its post-war state will be a potent factor in determining its

value. When the boards attempt, however, to put forward the existing volume of traffic carried as a criterion of what they can, and should, be allowed to do in peace time it is not easy to follow them. It is by no means clear that traffic in the present volume or the present distribution—either geographical or as between one class of traffic and another—will persist for any considerable period in peace time. Nor is it apparent, even if it does, that anything like the present distribution between rail and other forms of transport is desirable. Until these factors are known, no forecast of the railways' legitimate position can be made. Sir Charles Hambro has made it apparent that, when the Government White Paper appears and discloses the relation between gross and net traffic, that proportion will have little relevance to post-war probabilities, since it has been achieved under conditions of control which, it is thought, would not be tolerated, except during a period of emergency. If the chairmen had been able to point to substantial technical improvements of a permanent nature, there might have been good hopes for the stockholders. But of these there were few. Even economy in the use of wagons, through pooling and general speeding-up, is not, necessarily, permanent in its effects, and there were few other indications of economies. One point does, however, emerge, namely, that the railway managements are less wedded to either Government control or Government ownership than are the leaders of some other industries.

* * *

New Drapery Scheme

The revised capital reorganisation scheme of *Pete, Robinson* is now made public, and it is difficult to say whether it constitutes any great advance on the original, dealt with in *The Economist* of November 28th. The scheme is to be criticised mainly from the standpoint of the 7 per cent cumulative preference holder. He is now to receive $5\frac{1}{2}$ per cent instead of 5 under the first scheme, and this is to become cumulative two years earlier, namely, from January 31, 1946. This is all gain, and, insofar as preference shareholders must be presumed to desire security of return, they will probably regard this as an important achievement. There is, however, a further matter to be considered, the compensation for abandoning arrears of dividend, giving up cumulative rights for a period, and accepting a permanent cut in them. From this aspect, the new plan is in some respects less satisfactory than the old. Under the old, the preference shareholder received virtually half of any money it was decided to distribute, after meeting the preference and preferred ordinary dividend, up to a further 5 per cent, but the right to participate in their holdings of preference capital. Now they are to receive rather less than one quarter of the equity capital. Their participation is reduced, but a saleable stock is received. Evidently, the new scheme is more favourable to the preference shareholder if the company does so badly that no ordinary dividends are possible, or so well that it can pay over 10 per cent. No one can tell which will happen, and the scheme ought to be deferred until the position is less obscure. It is, therefore, disappointing to find that the shareholders' committee, who stated in their first circular that no action should be taken until it was possible to assess the extent of capital losses and of future earning capacity, are now convinced that the present is the right time for the scheme to be put through. It is to be hoped that the arguments which produced this change of opinion will be made public without delay. It is understood that the accounts for the year to January 31st last show profits after tax of £22,844. Those of the previous year were £17,832, while there was a loss of £12,155 for 1940-41. The shareholders are invited, also, to sanction changes in the directors' remuneration. No proxy forms have so far come to hand, and it is not apparent on the face of the documents available that the requirements, recently set out by the Committee of the Stock Exchange, have been complied with in this case.

Company Notes

Heavy Industrial Results

The preliminary figures of *Vickers* for 1941 show a certain measure of recovery from the previous year's considerable setback. Net profits are shown as £962,600 against

£908,905. Equity earnings are up from £596,852 to £650,548, representing 21.1 against 19.4 per cent, and the 10 per cent ordinary dividend is repeated. For the third year in succession there is a transfer of £250,000 to contingencies, so that the carry forward is raised from £690,786 to £783,447. The results of the subsidiaries, so far announced, have tended to suggest a modest improvement in the revenue of *Vickers*, and it is probable that the disclosed total, struck after all tax, is back at around the level earned in 1940. The 10s. ordinary stock, at 19s. 4½d., yields £5 4s. 10d. per cent.

*

The preliminary statements of *Hadfields* and *Coltness Iron* for 1942 suggest a contrast in experience. *Hadfields* report an increase in net profits from £198,904 to £202,264, so that, after meeting preference dividends, there is a rise in the ample cover for the ordinary payment, maintained at 22½ per cent, from 35.6 to 36.2 per cent. No details are provided as to the allocation of the surplus. Net profits of *Coltness Iron*, after depreciation of £85,000, as in every recent year, are reduced from £138,265 to £135,563. As before, staff funds receive £4,000, so that, after preference charges, equity earnings are down from £108,515 to £105,813, and the ordinary payment is underearned. Ordinary shareholders receive 18½ per cent, as before, against 20 per cent in 1939 and 1940, but the rate of earnings is reduced from 18.4 to 17.9 per cent. The deficiency is drawn from the carry forward, which is reduced from £261,823 to £259,355. These results suggest that a further cut in the ordinary payment may be inevitable unless there is a recovery in profits in the current period. The contrast between the results of the two concerns is probably to be explained by the concentration of *Hadfields* on the later stages of production of goods from steel, while *Coltness Iron* is heavily interested in the earlier stages, where control of profit margins is more severe. There was also little improvement in coal mining conditions. The labour shortage remained acute, and *Coltness Iron* is apparently hampered by exceptionally low stocks of industrial raw materials. The 10s. ordinary stock of *Hadfields*, at 31s. 6d., yields £7 6s. 4d. per cent; the 15s. ordinary shares of *Coltness Iron*, at

GUARD YOUR STAFF against INFLUENZA

STAFF is more precious than ever. Safeguard against depleted Staffs by the right use of "SANITAS", the antiseptic and germicide recommended by Doctors and Medical Officers for very many years. It is safe and non-poisonous.

SPRAYING ROOMS—Spray all offices and workshops with undiluted "SANITAS" at least once a day. If an epidemic has already taken hold, spray more often.

Freshens and purifies the air by **RELEASING OXYGEN** and the odour of pine trees into the atmosphere.

MOUTH and THROAT WASH—"SANITAS" contains Thymol, recommended for this purpose by the Ministry of Health.

Keep a bottle in the Staff Washrooms, and post instructions for use.

AFTER WORK—a little "SANITAS" added to the personal wash after work is a wise precaution against spread of germs.

Widely used in Hospitals, Institutions and Public Buildings.

At Chemists, 1/1½ & 1/8½ (incl. Pur. Tax)

SANITAS
THE SAFE ANTISEPTIC



ON REQUEST—Valuable War Memorandum on prevention and treatment of infectious diseases. Write (enclosing 1d. stamp) to: SANITAS CO. LTD., Dept. BCO/3C, 31 Clapham Road, S.W.9.

46s. 3d., return £5 18s. 11d. per cent. These figures suggest that the basis of *Hadfields'* recovery over the past eight years is not regarded as lasting.

Bradford Dyers Preference Payment

With the publication of the results for 1942, the directors of Bradford Dyers announce the payment of a further two and a half years' dividends on preference capital, thus bringing distributions up to December 31st last. As the full accounts show, this decision is amply justified by a rise in profits, after tax but before depreciation, from £376,497 to £388,583. Depreciation receives £146,309—some £10,000 more than in the previous year—so that there is £170,717 against £166,826 for dividends. The preference payment requires £159,327, as in 1941, and the surplus of £11,390, against £7,499, is added to the carry forward, raising it to £19,563. On the basis of charging one year's preference dividend only against profits, equity earnings amount to 9.4 against 9.1 per cent. If the present level of profits can be even approximately maintained, there is now some prospect that ordinary stockholders will receive a payment on the results of the current year, the first since just over 4 per cent was distributed for 1930. It is, however, essential that something shall be done to strengthen reserves, which are less than £190,000, including £93,484 reserve against investments. There is every reason to suppose that the concern is now fully adjusted to war-time conditions and that operating results will remain more or less stable. The balance sheet position is satisfactory and indicates an expansion of business. In the company's statement, net loans to subsidiaries have risen by rather more than £100,000 to £192,452. The consolidated balance sheet shows an increase in net liquid assets from £1,499,322 to £1,829,901. Debtors, creditors and cash items are all higher. There is a small decline in stocks, inevitable in present conditions, from £957,128 to £950,139, but it does not appear that the concern will be seriously hampered by this deficiency. Total investments, including tax certificates, are some £311,000 higher at £695,632 as a result, in part, of an interesting switch of £109,056 from short term deposits with building societies to marketable securities. The £1 ordinary stock now stands at 15s. 9d.

Dorman Long Report

As far as the distribution of profits is concerned, the full report of Dorman Long for the year ended September 30th adds nothing to the preliminary statement discussed in *The Economist* of March 6th. Taxation, which last year absorbed £429,421, is not disclosed this year, and it is only possible to compare net profits which have risen from £759,957 to £1,058,397. It is quite clear that these results arise from a considerably increased output and trading profits have almost certainly exceeded the record 1938 earnings of £1,498,517. The 8 per cent dividend on the ordinary shares is just covered by earnings of 8.4 per cent, after repeating the allocation of £275,000 to depreciation, which the chairman, Lord Greenwood, states approximately equals the wear and tear allowances for tax purposes. In addition, however, the company has increased the provision for renewals and repairs, deferred owing to war-time conditions. The balance-sheet confirms the impression of the company's intensive activity. Net liquid assets have risen from £3,623,576 to £4,342,222, excluding the amounts owing by subsidiaries which have fallen some £200,000 to £347,292. Cash has been almost exactly trebled, but the present figure of £927,748 is considerably below the level of the period 1938-40. Debtors are practically £500,000 higher at £3,932,082, while stocks are slightly reduced to £2,779,722. An increase of some £200,000 in the tax liability to £1,383,838 provides no indication as to the year's demands on the company in this respect, but creditors are some £80,000 lower at £1,651,855. Lord Greenwood puts forward a plea for the more equitable treatment of the iron and steel industry in respect of War Damage Act charges, which he admits have actually been reduced this year. It

is doubtful whether the small potential saving on this charge would do anything to provide a solution to the post-war problems of the industry; rather does the remedy lie in its own hands. For the immediate future, however, the prospects are quite good. The £1 ordinary shares now standing at 24s. 9d. ex dividend, yield £6 9s. 3d. per cent, compared with an average yield of £5 8s. 3d. on 18 similar shares calculated by the *Actuaries' Investment Index*.

Higher Electrical Equipment Earnings

The preliminary results of a number of electrical equipment concerns, reporting to December 31st last, suggest that the improvement in net profits realised by *British Thomson-Houston*, whose results were discussed in *The Economist* of March 13th last, has been general. The trend and allocation of the profits of the largest concern whose figures have been announced recently, *British Insulated Cables* are analysed in the following table. It is estimated that equity earnings rose by 0.9 per cent to 29.9 per cent. The reduction in the carry forward of some £50,000 to £428,227 is due to the allocation of £50,000 against nil to staff funds. The jump in net income of *Enfield Cable* from £132,340 to £181,623 is even more striking. There is no rise in the ordinary dividend, at 12½ per cent, but the cover is increased from 16.8 to 29.2 per cent, the highest level since 1937. It is not possible to calculate earnings for ordinary capital of *Lancashire Dynamo and Crypto*. Net earnings, after fees and depreciation, but before allocation for staff funds, have risen from £111,015 to £122,000.

British Insulated Cables	Years ending December 31,		
	1940	1941	1942
Profits after tax*	786,232	810,385	831,107
Fees, etc.†	18,333	15,713	26,603
Depreciation	209,622	247,324	247,324
Deb. interest	383	Nil	Nil
Pref. dividends	57,500	57,500	57,500
Ordinary stock:—			
Earnings	500,394	489,848	499,680
Paid	400,000	400,000	400,000
Earnings %	28.7	29.0	29.9
Paid %†	20	20	20
Reserves§	100,000	100,000	150,000
Carry forward	488,699	478,547	428,227

* Except tax on dividends. † Estimated in 1942.
 ‡ Including 5 per cent cash bonus.
 § £100,000 in each year to war contingencies; £50,000 in 1942 to staff funds.

The directors announce an increase of 2½ per cent to 22½ per cent in the equity dividend, which in the previous year was covered by a rate of 32.6 per cent. *Associated Electrical Industries*, the holding company which controls *BTH*, is doing no more than maintain the 10 per cent payment on ordinary stock, but if the experience of other subsidiaries is in line with results so far announced, a rise in revenue seems probable. There can be little doubt that all companies producing any electrical equipment worked to capacity last year, and possibly even increased output. The general rise in profits, in existing circumstances, can hardly be explained other than by improvement in the EPT standard of the various concerns through a further expansion in working capital employed. *Lancashire Dynamo and Crypto* is, of course, increasing its ordinary capital from £400,000 to £660,000. Yields are low. The £1 ordinary stock of *BIC* at 10s. ex dividend yields no more than £3 19s. 3d. per cent, less tax, at 9s. 10½d.; that of *AEI* at 51s. 3d. £3 19s. 7d. per cent.

International Nickel Expansion

The report of International Nickel for 1942 shows for the third year in succession a modest decline in net profits from \$34,356,401 to \$33,301,829. Tax liability fell rather more steeply by some \$1,249,000 to \$25,079,285, so that the setback in the face of higher output was presumably due to a rise in operating costs. After meeting preferred payments, there is some \$31,368,000 against \$32,422,000 for common shares, and the customary \$2 dividend is covered by earnings of \$2.15 against \$2.22 per share. Profits in the last quarter of the year were above those of a year before, but still slightly lower than those of 1940. Mr Robert C. Stanley, the chairman and president, pointed out that expenditure

on the company's expansion programme is now mainly complete and that the target of an increase of 50 million lbs. over output in 1940 was attained. It must be expected that the company has by now nearly touched maximum production and this appears to be adequate for wartime needs. As Mr Stanley points out, the threatened shortage of supply did not develop. It remains uncertain whether demand for nickel can continue at anything like the present level when the war is over and, consequently, whether the concern may not be saddled with considerable excess capacity. The chairman places his hopes in an increase in the technical uses for the metal. No doubt the conservative financial policy of the management has also made provision to take care of recent installations until such time as the secular upward trend absorbs them. The common shares of no par value at \$51½ yield 3.883 per cent.

Boot and Shoe Results

The latest results of six boot and shoe companies, both manufacturers and distributors, reveal that earnings have not suffered in the first full year of rationing. Five companies have maintained their equity payments, while one, *Freeman, Hardy and Willis*, which is primarily concerned with distribution, has restored the 25 per cent, tax free, dividend from last year's reduced payment of 15 per cent, also free of tax. *Saxone Shoe, Public Benefit Boot and Greenlees* are the only concerns to reveal their profits before tax. The first two have improved on last year's results, although taxation accounts for part of the increased earnings. On this point, the board of *Saxone Shoe* deserve commendation for revealing separately the charges for income tax and EPT. *Greenlees*, however, has suffered a minor setback in profits, which are reduced from £88,831 to £80,993, the cover for the 10 per cent equity payment declining from 15.5 to 11.6 per cent. Of those companies

Company (Years ending Dec. 31)	Total Disclosed Profits	Equity Earnings		Div.		March 17	
		Amount	Rate	Div.	Price	Yield	
	£	£	%	%	s. d.	£ s. d.	
<i>Freeman, Hardy & Willis</i>							
1940	213,602*	59,955	25.5†	25†	26 9	4 9 9	
1941	190,343*	36,743	15.5†	15†	(6% Cum. Pref.)		
1942	211,395*	57,795	24.6†	25†			
<i>Public Benefit Boot Co.</i>							
1941	170,935	11,272	13.1	10	22 0	6 16 4	
1942	162,246	2,176	2.9	10	(7½% "B" Cum. Pref.)		
1943	171,520	9,612	12.8	10			
<i>Saxone Shoe</i>							
1940	222,926	22,083	8.1	12½	30 0	4 6 8	
1941	234,707	29,918	12.6	12½	(6½% Cum. Pref.)		
1942	248,275	29,037	12.2	12½			
<i>J. Sears & Co.</i>							
1940	274,273*	68,267	21.3	15	13 0	4 16 2	
1941	225,402*	36,217	13.0	12½	(5/- Ord.)		
1942	235,129*	45,949	16.5	12½			

* After tax, including tax on dividends.

† Tax free.

showing profits after tax, *J. Sears* and its subsidiary, *Freeman, Hardy and Willis*, have both done rather better, although *H. E. Randall's* net profit figure is barely maintained at £25,424. Common to all concerns is the considerable reduction of stocks, generally accompanied by a compensating rise in either cash, gilt edged stocks, or tax reserve certificates, but *Greenlees* have used the cash released to halve creditors, now standing at £107,075. Mr W. T. Sears, chairman of *J. Sears*, explains this trend by the fact that public demand far exceeds the industry's permitted output under Government licence, while, according to Mr F. W. Panther, chairman of *Freeman, Hardy and Willis*, a considerable volume of current production is devoted to Army boots and utility footwear. It is clear that this applies to all concerns in the industry, and in view of the low profit margin on this class of product, together with the reduced stocks available, it is not improbable that operations in the current year may not be quite so successful.

British Aluminium Recovery

In 1942, net profits of *British Aluminium* rose from £517,332 to £569,869, in each year after £50,000 for depreciation. Thus, after meeting preference dividends, there is £479,869 against £427,332 for equity capital representing 21.9 against 18.5 per cent, the same level as in 1939, when gross profits reached a record for the past decade. There is no increase in the 10 per cent ordinary dividend. General

reserve receives £150,000 against £100,000, and the carry forward is raised from £222,128 to £251,997. Since the company certainly had to meet very much higher taxation last year than in 1939, there is every reason to expect that total income considerably exceeded the £1,075,796 earned in that year. The fact that the recovery in gross earnings has in part been retained for the benefit of the ordinary capital, presumably, denotes an increase in the working capital employed in the concern. Last year, *British Aluminium* became more completely adjusted to the situation resulting from the inability to continue importing bauxite and finished goods from France after June, 1940, which has, presumably, called for an expansion in capacity. The management is no doubt wise not to restore the pre-war dividend level of 12½ per cent, although at no time during the war has there been any absolute inability to meet this distribution. The £1 ordinary stock, at 49s. 6d., yields £4 2s. 0d. per cent.

Radiation Progress

For the third year in succession, *Radiation*, the holding concern controlling various manufactures of gas appliances, reports a rise in net profits. In 1942, disclosed income rose from £130,432 to £145,913, after all tax including tax on dividends. There is no indication as to whether the concern is again making an allocation to war damage reserve, which received an initial transfer of £25,000 in the previous year, but, on the assumption that no provisions of this nature in either period should be charged against profits, equity earnings are up from £97,806 to £113,287. There is a two point rise in the ordinary dividend to 8 per cent, covered by earnings of 10.1 against 8.6 per cent. Although income is not restored to the pre-war level, this payment is the best since 1938, when the equity distribution was reduced to 12½ per cent, against 17½ per cent paid in the four previous years. The improvement is probably due both to new building for official purposes and to the return of a large proportion of the population into areas served by gas since the cessation of heavy bombing. It is certainly in line with the recovery in earnings of the London gas supply companies. It is well known that the demand for gas appliances in domestic use substantially exceeds the supply, and the upper limit to net profits during the war will be set by shortage of materials and manpower. The £1 ordinary stock of the holding company, at 47s. 3d. ex dividend, yields as little as £3 7s. 9d. per cent, a level which clearly looks to a spurt in post-war earnings.

A Tobacco Result

The report of *Gallaher, Limited*, for 1942 shows a slight improvement in trading profits after EPT from £852,599 to £872,338. The 1941 report reveals total profits at £921,599, which suggests that EPT then required some £70,000. Possibly the company has had to pay more this year, but income-tax has been reduced £33,000 to £430,000. The equity dividend is maintained at last year's figure of 27½ per cent, including the final 5 per cent bonus, covered by earnings on the ordinary capital of 41.4 against 35.9 per cent. This permits the board to raise the contingencies reserve appropriation from £50,000 to £120,000, although pensions reserve, which last year received £20,000, obtains nothing. There is the normal insignificant rise in the carry-forward of £1,000 odd to £192,141. These results are in line with those of the industry in this country, arising, as the acting chairman, Mr John Mulholland, states, from the fact that demand still exceeds available supplies. A welcome addition to the accounts is the consolidated profit and loss account and balance-sheet. The former confirms the results of the company, group taxation having fallen from £497,950 to £450,141 on profits of £888,103 and £904,265 respectively. The sharp rise in stocks in the company's balance-sheet from £2,741,837 to some £3,253,000 reflects the increased price of tobacco arising from the 10s. per lb. duty of the last Budget, and is largely responsible for the rise of just over £1,000,000 to £3,223,419 in debtors. Creditors now stand at £4,013,356 against £2,256,318, while bank overdraft has been reduced from £246,344 to a mere £10,945, net liquid assets remaining practically unchanged at £2,256,544. Whatever the present difficulties, tobacco companies should have little difficulty in maintaining earnings, even though the coming Budget impose further demands on the smoker. The current yield on the £1 ordinary shares standing at 122s. 6d. ex dividend is £4 9s. 9d.

HAVE YOU a perfect memory that never fails, not even for an instant? If not, you need **RAPIDISM** — the absorbing system of mind and memory training.

Write now for free Booklet to
THE RAPIDISM INSTITUTE,
 889, TUITION HOUSE, LONDON, S.W.19.

Industry and Trade

Industrial Health

Last week, Mr Bevin announced the appointment of an Industrial Health Advisory Committee to the Ministry of Labour. The Committee is a very large and representative one, consisting of, in addition to doctors, representatives of employers' associations and of trade unions, engineers and chemists, and members of the Factory and Welfare Advisory Board. In part, of course, the need for such a body is another admission of how signally National Health Insurance and Workmen's Compensation, between them, have failed to cope with the problems of industrial ill-health and accident. But the Committee means much more than that. Its large membership shows what a vast new field industrial health is now recognised to cover; and it is concerned far more with prevention than with treatment and cure. As Mr Bevin said:

Industrial medicine and hygiene requires study of the work and the capacity of the individual to do it, and study of the place where he works and of the effect of the work on him and what should be done if injury to health results.

It has thus gone far beyond the requirements of the Factory Acts in respect of sanitation and accident prevention, though such factors, together with proper lighting and, still more important, good food, are even now too often regarded by employers as impositions rather than as positive aids to higher output. Thus, what is now wanted most of all is the means of bringing home to employers the fact that it is in their own interests that the health of their workers should be maintained at the highest possible level. Nor are employers the only ones at fault. Not infrequently, doctors may certify that a person is fit only for light work, and the labour exchanges then send him to build airfields. It is high time that it was realised by all concerned that placing a person in a job for which, owing to some disability, he is unfitted, means a waste of manpower, not an addition to it.

Rates of Hire for Tramps

For some time the Ministry of War Transport and representatives of the shipping industry have been engaged in the review of the original rates of hire paid by the Government to shipowners. The rates for requisitioned liners and deep-sea tramps were given in *The Economist* on January 23rd and March 6th. Agreement has now been reached between the Ministry of War Transport and owners of "intermediate" tramps; formerly these vessels were grouped with coasting and home-trade tramps for purposes of requisition payments. "Intermediate" tramps are those between 2,500 and 5,000 tons deadweight mainly engaged outside the coasting trade, which in effect means practically all ships within these tonnage limits, other than coastal colliers; the total tonnage involved is, however, relatively small. Higher rates of hire will be paid retrospectively from June 1, 1941, and additional increases take effect from May 1, 1942, and February 1st last, the present rates varying between 10s. 9d. and 14s. 11d. per ton deadweight per month according to size. The rates are based on assumed average values of £11 per ton for the largest ships up to £14 15s. 6d. per ton for vessels of 2,500 to 3,000 tons. The rates and conditions are in line with those applicable to the deep-sea tramps, and the higher payments are intended to cover increases in costs, chiefly wages.

Concentration of Small Builders

Details of a scheme to group small builders into voluntary groups were described in the House of Commons last week by Mr George Hicks, Parliamentary Secretary to the Ministry of Works and Planning. The proposals have the approval of the Ministry of Labour and the industry. The maintenance and small works section of the industry is affected and the scheme is being applied to the repair of

bomb-damaged houses. The groups, which are voluntary, comprise about ten firms, employing fewer than 25 workers and local labour over 51 years of age not required for urgent Government work. The firms' immobile labour is being pooled and will be available to the group as required. The Essential Work Order will be applied to such work. Operatives will remain under the supervision of their old employers as far as possible. Overheads and profits will be shared between the firms on the basis of the amount of work done by their respective employees. About 2,000 firms will be included in the scheme, which is designed "to assist the better preservation of this portion of the industry," in order to undertake the repair of bomb-damaged houses with economy in labour, materials, time and costs, and to assist in post-war reconstruction.

British Rayon Federation

Negotiations have recently taken place for the establishment of a British Rayon Federation. Rather more than a year ago, the Rayon Council, comprising representatives of every section of the trade, was formed to deal with all matters of common interest. For many years previously, the rayon industry was represented by the Rayon and Silk Association, a body whose interests were originally silk but which adopted rayon as a partner in its later years. The Cotton Board also included representation, in a small degree, of rayon interests. While the Rayon Council spoke with authority for the industry, it was not in a position to claim that it was the only voice, for there was nothing to prevent the Rayon and Silk Association expressing a different view from that of the Rayon Council, nor to prevent the Cotton Board, including its minority rayon members, from differing from both. It has been suggested, therefore, that the rayon industry should be represented by a single representative trade association and that, to this end, the Rayon and Silk Association should revert to being a silk association and that the Rayon Council should be given a more formal constitution and its name changed to that of Rayon Federation. The Federation, which, it is reported, may be formed shortly, will include all the organised sections of the industry; it will consist of the Rayon Producers' Committee, the Rayon Weaving Association, the Rayon Warp Knitters, the Rayon Staple Spinners' Association, the National Federation of Hosiery Manufacturers' Association, the Flat Dyed Rayon Group, the Rayon Crepe Dyers' Group, the Spun Rayon Fabric Dyers' Group, the Federation of Calico Printers, the British Rayon Crepeists' Association, the Processers' Association, the Rayon section of the Cotton and Rayon Merchants' Association, and the London Rayon Merchant Converters. The decision of the rayon industry to close its ranks marks a new and interesting stage in its development.

Digging for Victory

Although the country has cause to be grateful to farmers for increased food production, probably nearly two million families are self-supporting, or nearly so, in vegetables. The increase in allotments since the war has been well over half a million, an additional acreage of 50,000 converted to food production. The latest figures of allotments relate to April, 1942, when there were no fewer than 1,586,888, covering 172,861 acres. These figures include allotments on railway land and approximately 150,000 private gardens growing vegetables, on over 10,000 acres. Figures of production are not available, but some guide to amounts produced may be gained from the records of the produce of one hundred well-planned 10-rod allotments in 1940-41. The average weekly yield was 19½ lbs. (edible weight) in the winter, 11½ lbs. in the spring, 12½ lbs. in the summer, and 14½ lbs. in autumn. These are, of course, exceptional figures, and higher than average yields. The "Dig for Victory" campaign has been organised by the Ministry of Agriculture, which has done much valuable educational work. The press is still the most popular source of information, with broadcasting a close second. Nearly half the gardeners and allotment holders read the Ministry's leaflets. The Ministry considers that the number of allotment-holders has nearly reached a maximum, and is now concentrating its efforts on better planning to increase yields. "Dig for Victory weeks" are being held; demonstration plots have always been part of the campaign. The work of the National Allotments Society, Limited, has been of great value; a quarterly journal is published,

and facilities provided for obtaining seeds and fertilisers at reduced prices. A survey of allotment-holders undertaken recently disclosed that only one in twenty took an allotment to help in the war effort. Other reasons given were: to save money (17.8 per cent); to obtain fresh food (55 per cent); for fresh air and exercise (14 per cent); and to save shopping (7 per cent). In spite of these varied reasons, all gardeners are, in fact, assisting the war effort.

The Clothing Ration

The clothing ration of 60 coupons which was to have lasted for fourteen months has been extended for another month; a new book of coupons will be issued for use from September 1st. The present coupons will remain valid at least until December 31st and four weeks' notice will be given before they expire. The reduced ration will release more labour and materials. In the first year of rationing, at 66 coupons a year, consumption was cut by half. The present rate of 48 coupons a year is equivalent to a cut of nearly two-thirds of pre-war consumption. About 400,000 workers were released in the first year and the second rationing period should therefore result in the release of nearly 150,000 more. The labour force of the making-up trades has been surveyed and reductions are planned. For some time the Board of Trade has been running a campaign to educate the public in making clothes last longer. Exhibitions showing wise planning of coupon expenditure in relation to the family wardrobe are being held in various parts of the country. The "Make Do and Mend" campaign was launched last autumn, and women's organisations and local authorities are running classes, demonstration and advice centres. A number of clothing and shoe exchanges have been set up by schools, the WVS and in some cases by shops. The prospect for the new ration period is that the ration will be smaller. One coupon per head less would release 8,000 workers and 5,000 tons of raw materials, the equivalent of a complete outfit for half a million soldiers.

(Continued on page 376.)

To every man and woman smoker

Will you help to reduce the appalling loss of vital material caused by fire damage?

THOUSANDS of tons of foodstuffs completely destroyed, a clothing factory in flames, destroying hundreds of thousands of garments—fires like these are costing the nation £12,500,000 a year! More important than the money is the labour, the raw material and the shipping space which must be diverted from the war effort to replace the loss.

And the facts are, undeniably, that most fires start from some little act of carelessness by a normally careful person. A match thrown away still smouldering, a cigarette end left burning, an electric iron left switched on—simple acts of carelessness like these are making tragic inroads into the nation's reserve of materials. Will you help to stop it?

Be more than careful with lighted matches and cigarette ends—be sure! Stub your cigarette ends till they're right out and never throw away a match or spill unless you know it's out. Your help, everybody's help is needed, to reduce the loss to the war effort by fire.

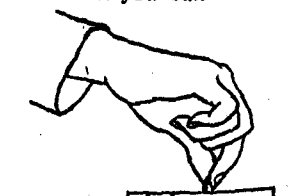
Most fires are caused by "careful" people

ISSUED AS PART OF THE FIRE OFFICES' COMMITTEE CAMPAIGN AGAINST FIRE WASTAGE

3 SAFETY FIRST RULES FOR SMOKERS



1. You know a match is out when you can do this.



2. Stub your cigarette end right out.



3. Look twice, when you're in any doubt.

COMPANY MEETINGS

THE
BANK OF AUSTRALASIACHANGES IN BANKING
CONDITIONS

MR A. WHITWORTH'S STATEMENT

The annual general meeting of the Bank of Australasia will be held, on the 25th instant, in London.

The following are extracts from the statement by the chairman (Mr A. Whitworth) which has been circulated with the report and accounts:—

The balance-sheet presented shows a large expansion in the total, the figure having risen by £5,329,403 over the total of last year, which was itself a record. In spite of this, the profits are less. On the liabilities side the chief movements are a decrease of £2,217,916 in deposits at interest and an increase of £7,226,664 in current accounts. On the assets side, specie, bullion, etc., has increased by £9,400,779 to the very high figure of £14,198,613. Then, for the first time, there appears the special wartime deposit account with the Commonwealth Bank. This represents this bank's share of the deposits which all the trading banks are now required to lodge with the Commonwealth Bank, as they are regarded by the Central Institution as investible funds surplus to our and the other trading banks' requirements. These are lent to the Commonwealth Bank at the low rate of interest of 15s. per cent. per annum in the same way as similar excess requirements are lent to the Treasury by the clearing banks on this side. Advances to customers and other accounts are down by no less than £3,300,620, showing a definite and serious loss of earning power, compensated in part, however, by a welcome saving in interest on the deposits at interest shown on the other side of the balance-sheet.

FIXED RATES FOR ADVANCES AND
DEPOSITS

As from March, 1942, regulations were enforced by which the maximum rate for advances was fixed at 5 per cent. per annum, and by way of compensation for this deposit rates were reduced by ½ per cent., but this reduction only operates gradually as deposits mature from time to time. The increase in current accounts brings in very little, if any, profit, as under the Wartime Banking Control Regulations the trading banks are severely restricted in their advance business, so a large portion of our customers' money goes over to the Commonwealth Bank and earns the low rate of 15s. per cent. per annum. The bank's advance business is, of course, the main source of its earning power, and the fact that the figure of £31,940,226 is the lowest since the accounts of October, 1934, is one of the prime causes of the decline of the bank's profits.

IMMENSELY STRONG POSITION

The only satisfaction we can derive from this state of things is, firstly, that it is not exceptional to other Australian banking institutions, and, secondly, that it shows your bank to be in an immensely strong position. Cash balances are 5s. 6d. in the £ of total deposits, as against 3s. 3½d. last year, and if we include our investments as additional security to deposits the relative figure is 12s. 3d. in the £, as against 9s. 9d. last year. This, of course, is a position much too liquid for our liking, particularly when the ratio of advances to total deposits works out at only 61.69 per cent., the lowest for many years past. If the position of this bank is thus one of great strength, so is that of the Australian banking system as a whole. Since the time of the great crisis in the early '90's, when each bank had to look after itself, and this bank

was one of the very few that kept its doors open and weathered the storm, a great change has taken place.

The Commonwealth Bank, originally started in opposition to the trading banks, has gradually taken over the additional functions of a Central Bank, and is the pivot of the whole banking structure, so if your bank is unable to maintain the higher rates of dividend to which at one time we were accustomed, it is not due to any weakness in our position nor to losses made, but to fundamental changes in Australian and New Zealand banking conditions. These changes, beginning ten years ago with control of the exchange rates, were accelerated by Governmental control, particularly in New Zealand, over primary products, which has, of course, been greatly extended owing to the war, since when such profits as we have made have been much reduced by higher taxation and increasing expenses.

THE DIVIDEND

The proprietors were warned by the chairman last year how difficult it was for banks operating in Australia and New Zealand to make sufficient profits to maintain their previous rates of dividends, and the reduction of our interim dividend paid in October last must have prepared them for the further fall in the final dividend now declared, making a distribution of 6 per cent. for the year.

BRITISH ASSETS TRUST,
LIMITED

The forty-fifth annual general meeting of British Assets Trust, Limited, was held, on the 11th instant, at Edinburgh, Mr W. H. Fraser, chairman of the company, presiding.

In moving the adoption of the report and accounts, the chairman said: Colonel Basil G. Ivory is still serving with H.M. Forces overseas and is therefore unable to be present to-day.

Our gross income for the past year amounted to £343,595, against the previous year's figure of £332,949. I think you will agree that this is a very satisfactory result, particularly in view of the reduction of income which, as anticipated a year ago, we have suffered from our holdings in companies which have interests in the East. Management expenses are again lower, partly as the result of a further saving on our American expenditure. Taxation is higher, due to the increased revenue on which income tax is payable. After deducting expenses, debenture interest and preference dividends, there remains £48,191, which is equivalent to earnings on the ordinary stock of 19.6 per cent., against 17.3 per cent. for the previous year. We recommend payment of a dividend of 12 per cent. for the past year. This will leave a surplus of £18,672, and this sum, together with £103 from the carry forward and £6,225, being arrears of dividend in excess of one year's income, totalling in all £25,000, has been added to the general reserve fund.

PROVISION FOR TAXATION

There has also been added to this fund, which now stands at £600,000, a further sum of £25,000 in regard to which I would give the following explanation. It has been our practice each year to provide for taxation on the whole year's income at the rate ruling at the close of the company's financial year. Since the beginning of the war the rate of tax has twice been increased under a supplementary Budget, with the result that the rate of tax ruling at the end of the year during which the increase took place was considerably higher than the rate at which tax had been deducted at the source during a large part of the year. During the years in question, the amount provided for income tax was therefore in excess of the amount actually paid. A further over-provision for income tax has arisen owing to a change in the basis on

which the company pays British tax on foreign income. The total amount over-provided during the three years ended January 15, 1942, is approximately £31,000, and as the reasons for the over-provision of such large amounts may be considered as non-recurring, we have transferred £25,000 out of this over-provision to the general reserve fund.

THE INVESTMENTS

Turning to capital, our investments stood in the balance-sheet at January 15th last at £6,859,884, which compares with a market value at that date of £7,223,459, and represents an appreciation of 5.3 per cent. over the balance-sheet figure, as against a depreciation of 4.09 per cent. on the corresponding figure a year ago. In the past we have only published the valuation figure when there has been depreciation; it seems, however, only fair to our stockholders to disclose the market valuation irrespective of its relation to the balance-sheet figure. I may in this connection mention that, in arriving at the market valuation figure, we have for some years valued our holding of ordinary shares in Second British Assets Trust, in which we own the great majority of the shares, at par. This may appear a low figure in view of the dividend of 8 per cent. which that company is now paying, but it is difficult to arrive at a fair valuation, and this consistency tends to minimise fluctuations in our own annual valuation.

THE FUTURE

As regards the future, the problems of a change over from a wartime to a peacetime economy, which are now being studied in authoritative quarters, will call for much clear thinking and mutual understanding, and may render it necessary for trust companies during the transition period to place capital security before income return. If, however, the capital position is sound a temporary fall in income need not give us cause for anxiety, particularly in view of the substantial fund we have built up for equalisation of dividends. We are planning ahead as far as we are able, and while we must be prepared for difficulties and setbacks, I believe these can and will be overcome, and in regard to the company's future I am not pessimistic.

The report was adopted.

LONDON AND RHODESIAN
MINING AND LAND
COMPANY, LIMITED

The adjourned ordinary general meeting of this company was held, on the 16th instant, in London, the Right Hon. Viscount Elibank (the chairman) presiding. The following are extracts from the chairman's statement circulated with the report: The net profit for the year is £70,777, compared with £55,715 in the previous year. A dividend of 5 per cent. was paid in February, 1942. The directors have declared and distributed an interim dividend of 5 per cent. on account of the current year.

We have during the year considerably increased our holding in Henderson's Transvaal Estates. This company is in a strong position and, we believe, should continue to be a steady revenue-producer. Developments on the Cam and Motor Company's properties have proceeded steadily. The ore reserves are now standing at nearly 1,750,000 tons.

The South African Coal Estates (Witbank) maintained its dividend of 12½ per cent. Development of the Vubachikwe mine has been steadily proceeding, with the gratifying result that the ore reserves at June last amounted to just on 100,000 tons of an average value of approximately 7dwt.

There has again been a small increase in profits on our ranching business. To sum up, I think stockholders will agree that compared with the previous year our position as a whole has improved.

The report was unanimously adopted.

UNITED KINGDOM PROVIDENT
INSTITUTION

"HIGHEST FORM OF SECURITY"

SIR ERNEST BENN ON NATIONAL EXTRAVAGANCE

RISK OF INFLATION

The annual general meeting of the members of the United Kingdom Temperance and General Provident Institution will be held, on the 24th instant, at the head office, 196 Strand, London, W.C.

The following is an extract from the statement of the chairman (Sir Ernest J. P. Benn, Bt.) circulated with the report and accounts:—

As the report and balance-sheet now presented will show, we have maintained the general attitude outlined in my speeches ever since the outbreak of war. Victory is our first consideration, and we have in your name done everything within the capabilities of a life assurance office to facilitate the national war effort. We are proud to think that our contribution, like so many others, has been in fact, if not in form, wholly voluntary. In September, 1939, our staff rushed to the colours, causing strain and inconvenience, gladly borne by loyal colleagues. We damped down our normal new business endeavours long before the Kennet Committee recommended that course. We have supported every War Loan to a greater degree than was thought possible, and, in fact, we are unaware of any aid we could have given to the great cause of freedom which has not been freely given by our directors on your behalf.

This is essentially a peace business. Proper life assurance knows nothing of war, and is one of many typical British industries born, bred and operated in a spirit of peace. Our pre-war members who insured for their own lawful peaceful purposes are fully covered against the personal risks of war, as, indeed, with few exceptions, they are covered against every danger to life. But we have never been willing to gamble with our funds when, in fact, war was afoot, or offer to share with the foolish virgins the care and forethought of the wise. Such business as we have written during 1942 is confined to the very highest class.

Our expense ratio has fallen to the low figure of 12.5 per cent. Our rate of interest calculated on the book value of our fund shows a very moderate fall considering our very large holdings of War Loans. Our mortality experience, notwithstanding war deaths, has been favourable, both as regards numbers and amounts of claims, the temperance section again showing a marked superiority. In so far as our figures are representative, they point to a very satisfactory national position after more than three years of total war.

LOW FIGURE OF SURRENDERS

We have to turn back 15 years to find the item of surrender values paid appearing in the revenue account at such a low figure as £118,000. The genuine surrenders amount to even less, only £80,000, for the figures in the account are swollen by book transfers from old to new policies. It is a remarkable testimony to the public appreciation, both of the security afforded by the institution and of the wisdom of maintaining their life assurance cover, that only £80,000 out of £26,000,000 should have been withdrawn.

Your assets are still calculated on 1938 values. We have ignored the substantial statistical appreciation caused by a national, closed, controlled, and planned economy, because that appreciation is directly due to war, and we have yet to learn the effects of war-time plans on peace values. Our liabilities, as explained last year, are calculated on the more stringent basis then adopted. The balance-sheet thus maintains our unbroken reputation, and displays a degree of security which, although the word now means less than formerly, is the very highest attainable.

HIGHEST FORM OF SECURITY

The British insurance market has its own post-war plans ready. It is prepared, from the very moment when peace arrives, to resume all those services to our own people, and to the peoples of the whole world for which British insurance is framed, and which cannot be so well performed by any other market, agency, or plan. It may indeed be reckoned among our many and varied national glories that all the peoples of this planet look upon British insurance as the highest attainable form of security. For financial protection from earthquakes in San Francisco to the most trivial of human hazards there is no equal to British private enterprise. The point has a special importance when it is remembered that here we have an invisible export ready made and waiting for the moment when exports will rank among the first of our national needs.

In estimating Britain's rightful place in world affairs it is helpful to remember that, while many millions of other nationalities have always sought the protection of British insurance, the British demand for foreign cover is insignificant.

FIRE AND ACCIDENT SUBSIDIARY

The United Kingdom Fire and Accident Company, now in its third year, is justifying our high expectations. The compulsory shrinkage in motor business has been counter-balanced by the growth of the fire account. As was anticipated, our members are finding convenience in the widened services offered at our branches, and also appreciate the advantage of placing their fire and general business with an office belonging to the Mutual Institution in which each has his or her full share of interest.

LONDON AND LOMOND
INVESTMENT TRUST,
LIMITED

APPRECIATION IN VALUES

The 12th ordinary general meeting of London and Lomond Investment Trust, Limited, was held, on the 17th instant, in London.

The Hon. W. B. L. Barrington (the chairman) presided.

The following are extracts from the chairman's statement which was circulated to the shareholders with the report and accounts:—

When I addressed you a year ago it was anticipated that owing to the extension of hostilities to the Far East, our total revenue would this year show some falling off. The loss of revenue on this account, however, was more than offset by increased income from investments elsewhere, and our total revenue, amounting to £75,963, represents a small increase. Once again the charge for income-tax is higher, and, due to this, the amount available for the ordinary stockholders is equivalent to 12 per cent. before deduction of income-tax as compared with 13 per cent. in the previous year.

After placing £5,000 to general reserve, which is thereby increased to £80,000, we recommend payment of a final dividend of 5½ per cent., making a total of 7½ per cent. for the year. There remains a sum of £690, which, added to the amount brought forward, makes a total of £20,997 to be carried forward to the current year.

The market value of the investments has increased substantially, there being an appreciation of £160,400, as against a depreciation a year before of £12,189. In addition £6,213, being profits on changes of investments and other receipts of a capital nature, has been added to capital reserve, which now amounts to £104,199.

It is not anticipated that there will be any material change in our income for the current year.

The report was adopted.

RUBBER PLANTATIONS
INVESTMENT TRUST,
LIMITED

REVIEW OF TEA AND RUBBER

The 34th ordinary general meeting of The Rubber Plantations Investment Trust, Limited, was held, on the 17th instant, in London.

The following are extracts from the statement by Mr Eric Macfadyen (vice-chairman) circulated with the report:— Our net revenue amounted to £24,608, or £59,709 less than the net revenue of the preceding year. The earning capacity of a large number of estates in which we are interested has come to an end for the time being owing to enemy occupation; we must anticipate further shrinkage in our income.

During the past year arrangements have been made for the co-ordinated purchase by the Ministry of Food of the entire quantities of tea available for export from India, Ceylon and East Africa. The price paid by the Ministry is based on the prices obtained by the estates during the years 1936-38, plus an allowance of 2½d. in the case of India and 4d. in the case of Ceylon.

Since the date of the last meeting the supplies of crude rubber available to the United Nations have come from Ceylon, India, Africa, and South and Central America. Total output is at present under 200,000 tons per annum. Ceylon and Indian production has already been stepped up to near the maximum.

The sudden loss to the United Nations of so large a proportion of one of the chief munitions of modern war has stimulated an intensive campaign for the development of synthetics in the United States. Various synthetics have been manufactured there for some years, but only in small quantities. A production of over 400,000 tons is aimed at in 1943.

The report was adopted.

MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION, LIMITED

CONTINUANCE OF SUCCESSFUL PROGRESS

SIR ALEXANDER ROGER'S STATEMENT

The forty-fifth ordinary general meeting of the Midland Electric Corporation for Power Distribution, Limited, will be held at the Exchange Hotel, Tithebarn Street, Liverpool, on the 31st instant.

The following is an extract from the statement circulated to the shareholders by the chairman, Sir Alexander Roger, K.C.I.E., in lieu of the speech which would normally be delivered at the meeting: The directors' report informs you that proper provision has been made for depreciation, while I may state that the plant has been maintained in first-class order. I also give you the assurance that your company continues to make satisfactory progress, and that the value of your investment has been amply maintained.

Development is necessarily restricted to the urgent needs of the present, but one field of endeavour remains open to us, and that we continue to cultivate intensively for the growth of goodwill. In this direction our management and engineering staff have been able to give valuable advice and assistance in the economical planning and operation of electrical plant, services which have been greatly appreciated.

In addition, we initiated a conference with our friends in the gas, water, and other utility services, and together formed an association for mutual help in war emergencies. Suggestions arising from the conference have been adopted to the general good.

PRIVATE ENTERPRISE

In the post-war framework as now being planned, the industry in which this company is engaged is considered to be vital. There is a trend towards public control of electricity distribution, mostly from incompletely informed sources. In the early days of electricity supply the large towns, with their concentrated industries and population, accepted the obligation to supply within their own borders, a safe field for development, leaving private enterprise to embark on the much greater risks associated with urban districts and rural areas. The greater risks were accepted, and by their enterprise and research the company undertakings have made possible the widespread electric service which is now available.

Private enterprise, with its drive and pioneering spirit, has been the main force behind practically all the forward movements that have made our country great. It equally has been the force behind the development of the electricity supply industry. It appears to me to be timely and necessary to emphasise the facts of the progress of electricity supply. No comparable industry has shown such steady progress, such wide expansion of services, such co-operative endeavour to review progress, and such desire to frame new policies for improving the efficiency with which its statutory obligations are carried out.

PUBLIC INQUIRIES

This is not entirely a personal opinion. No industry has been subjected to so many and so frequent investigations as to progress and the manner in which it was fulfilling its obligations. The reports of the investigating committees have been published, and pay tribute to the efficiency of private enterprise. Of these investigations the McGowan Committee (1936) made the most complete survey.

The main suggestions were a substantial reduction in the present number of undertakings, and reorganisation based on the retention of the larger and more efficient of the existing undertakings and the absorption by them of the smaller undertakings. Discussions and negotiations were pro-

ceeding to this end when they had to be suspended, due to the more urgent considerations arising from the disturbed condition of Europe.

The recommendations of the McGowan Committee remain to-day as the most complete and weighty pronouncement on the future of electricity supply. It is interesting to note that the committee presided over by Lord Cooper, which reviewed the development of electricity distribution in Northern Scotland, for the same reasons which influenced the McGowan Committee six years earlier, rejected the theoretical advantages of transferring existing supplies to a public corporation, on the grounds that such a scheme could not be carried into effect without very serious and needless dislocation of electricity supply. In addition, the committee were not satisfied that consumers would derive any compensating benefits.

POSITION OF M.E.C.

The area of your company is in the sphere of influence of the West Midlands Joint Electricity Authority, and has been developed and served as well as any in the country. When the scheme for joint authorities was included in the 1919 Act, your company, together with the Corporations of Wolverhampton, Walsall, and West Bromwich, established the West Midlands Joint Electricity Authority for joint generation. We paid 40 per cent of the initial costs, and I have no hesitation in saying we have made a substantial contribution to its success. We are justly proud of the development, and we stoutly hold the view that the organisation in this area is definitely to the advantage of consumers and should be continued.

A SUGGESTION

Instead of talk of the superficial advantages of public control and the elimination of that perfectly justifiable thing which is dubbed the profit motive, I would suggest that the basis of the M.E.C. Order be offered to electricity undertakings of reasonable size, public and private alike. I do so, feeling that it would be for the good of the industry and its consumers. It retains the drive, enterprise, and efficiency which comes from gainful employment together with a balanced control of profit.

The Order includes a standard tariff for electricity supplied and a standard profit on capital employed in the business. All profits above those permitted have to be returned to consumers in flat percentage reductions from the standard tariff, but permitted profit is increased by $\frac{1}{2}$ per cent. in respect of each 2 $\frac{1}{2}$ per cent. by which the charges for electricity have been reduced below the standard tariff throughout the whole year.

It is essentially a co-operative Order between the consumers and the company, its main principle being freedom of direction up to a permitted profit, and thereafter a fixed division between service to the community and reward for development and efficiency.

This appears to me to be the best Order in existence. It was hammered out over a period of four years by the Electricity Commissioners, representatives of 20 Local Authorities, and the company, and I can see nothing but good to consumers in offering similar terms to publicly owned undertakings. Give them the opportunity for development and a measure of gain for their energy, with freedom to use that gain for the general betterment of the area for which they are responsible. I should then expect a new spur to development to the lasting advantage of industry and an inevitable reduction in charges to consumers.

NATIONAL PROVIDENT INSTITUTION

STRONG FINANCIAL POSITION

The following is a summary of the address to be submitted by the chairman, Mr. Robert E. Dickinson, at the annual meeting of the National Provident Institution, to be held, on the 23rd instant, in London.

Our new business shows a welcome recovery, though by pre-war standards it is still small. Our mortality experience, in spite of the effect of war conditions, has been satisfactory. Our interest yield continues to fall, owing to the impracticability of making new investments at rates comparable with those earned on our old investments.

1942 was the closing year of our triennium. We have accordingly made the usual valuation of our assets and of our actuarial liabilities. Our Stock Exchange securities stand in the books at or below the market selling prices, less accrued interest, on December 31, 1942. In the aggregate the margin between the market values and the book values when we closed our books exceeded £1,000,000.

We have decided that in present circumstances it would be proper to make a distribution in respect of the three years ending December 31, 1939. Bonuses will accordingly be allotted to policies entitled to share in respect of the years 1937 to 1939 on the scales set out in the valuation report, and in the case of full profit whole life policies the rate of bonus is £2 per cent. per annum. In the case of full profit endowment assurances the rates vary with the maturity ages, and on policies maturing at age 60 the rate is £1 12s. per cent. per annum. This distribution will cost approximately £530,000, so that we shall carry forward undivided the substantial sum of nearly £700,000 as an additional reserve. We have, I think, every reason to be gratified with the results of the past three years, and we are well equipped to meet the future.

DORMAN, LONG AND COMPANY, LIMITED

VISCOUNT GREENWOOD'S STATEMENT

Statement by the chairman, the Rt. Hon. the Viscount Greenwood, P.C., circulated with the report and accounts for the year to September 30, 1942, in place of the customary speech at the annual general meeting.

As already explained, it was found impracticable to complete the report and accounts and to hold our annual general meeting during 1942.

In accordance with our usual practice, we have provided for all taxation based on the profits for the year.

The directors are glad to recommend the allocation of a sum of £15,000 under the heading of pension fund. Part of this, as in former years, will be devoted to augmenting the staff pension scheme.

Cash at bankers shows an increase. Substantial payments have been made since the date of the balance-sheet in respect of debenture interest and taxation, and further sums will be required for the dividends now recommended.

Premiums payable under the provisions of the War Damage Act, 1941, have been reduced in respect of the year to September 30, 1942. This reduction has been general to all trades and industries. In view of experience available and to safeguard prospects of future employment, the necessity of more equitable treatment of the iron and steel industry cannot be too strongly pressed upon the Government.

Additions to capital expenditure amounted to £28,839, and realisations aggregated £10,128. The provision for depreciation has been maintained at £275,000, which

approximately equals the wear and tear allowance for taxation purposes.

So far as has been possible in the circumstances, we have continued to make improvements to our plant and equipment and to maintain the whole of it in a proper state of repair. We have considered it advisable to increase the provisions for renewals, relinings and repairs to cover expenditures which have been deferred by reason of wartime conditions.

There has been no allocation out of profits to the workmen's compensation reserve fund during the past year. The increase of £7,025 represents accrued interest and a surplus arising on the realisation of an investment. The investments are in trustee securities and the market value at the date of the balance-sheet was £435,179. The investments are held by trustees under the terms of a special trust

deed setting forth the conditions under which they are held.

We continue to provide facilities for National Savings and additional staff and more employees have joined Savings Groups during the past year.

Although it is not permissible for me to give particulars of production figures for our various departments, they constitute an essential and important factor in the war effort.

Our thanks are due to the management, staff and all employees for the services which they have rendered to the company and the country during the year under very difficult conditions.

The adjourned fifty-third ordinary general meeting of the company will be held at Winchester House, Old Broad Street, London, E.C. 2, on the 25th instant, at twelve o'clock noon.

MIDLAND COUNTIES ELECTRIC SUPPLY COMPANY, LIMITED

PRIVATE ENTERPRISE OR STATE CONTROL

MR. WILLIAM SHEARER'S ADDRESS

The thirtieth ordinary general meeting of Midland Counties Electric Supply Company, Limited, was held, on the 17th instant, in London.

Mr William Shearer, chairman of the company, presided, and in the course of his remarks said:—

The results disclosed in the accounts reflect another year's satisfactory operation of our extensive undertakings. During the year we successfully met all demands made on our electricity supply and transport undertakings, thereby contributing in no small measure to the war effort in the areas we serve.

A year ago I mentioned that we had just put into effect certain revisions of the tariffs for electricity supply. We have now under consideration further revisions of the various tariffs, and expect to be able to intimate these to consumers at an early date. Some of you may think that in reducing charges in two successive years, during a period of war when we are experiencing rising costs, we are taking an unduly optimistic view of future trading. We are pursuing this policy, however, with confidence, knowing that our business has been built on a strong foundation, that the financial structure is thoroughly stable, and that the sound commercial principles by which we have been guided during the 30 odd years of the company's existence will enable us not only to face, without undue anxiety, any temporary depression or setback that might be experienced, but on the conclusion of the war to continue a policy of intensive development, leading to still further reductions in charges.

SERIOUS DISLOCATION INEVITABLE

I make these remarks, however, with one reservation, namely, that if, as is suggested in certain quarters, the great supply industry, which hitherto has not cost the taxpayer a penny, is to be thrown into the melting-pot of party politics, that the power companies are to be wound up and supply undertakings are to be run by new bodies *ad hoc* or otherwise, getting their "inspiration" and directions from Whitehall or its vicinity, serious dislocation must inevitably ensue, with results which, I believe, would be permanently detrimental to the interests of consumers and, indeed, of the whole community.

What should be the real standards by which the position of the supply industry should be judged? There are three main considerations—first, that it should be in a position of giving a reliable and efficient supply to meet all demands at a fair and reasonable price; second, that the management should be skilled and efficient, and

that employees should have adequate security of tenure with good and, indeed, generous conditions of employment; and third, that the requisite finance is provided on prudent and reasonable terms.

The first of these considerations naturally implies close collaboration with our great electrical manufacturers and engineers to see that the most efficient plant and equipment is installed, and I believe that British manufacturers in all branches of the industry have given, and are giving, the supply undertakers of this country and their consumers every satisfaction in technical design and production. No one can dispute the fact that the vast majority of electricity supply undertakings in this country have a high standard of efficiency. Then again, it is essential to establish satisfactory relationships between the various undertakers and their consumers. So far as we are concerned, and I am sure, this is the experience of other supply authorities throughout the country, these are of the most harmonious nature.

HIGHLY SKILLED STAFF

The next consideration which I mentioned affects staff and employees. It has been the endeavour of the supply industry to provide a highly skilled executive, capable of dealing with every branch of the business in all its aspects and of establishing with the employees a bond of mutual respect; coupled with due and even generous recognition of services rendered. In this I can say that great success has been achieved and particularly emphasised by the excellent experience since the commencement of the war.

Then there is finance—the ability to provide adequate financial resources on the cheapest possible terms. By prudent management the accumulated reserves in our operating companies are neither excessive nor inadequate under present-day circumstances for an undertaking of this nature, and I feel confident that, if not subjected to undue interference, we can make a substantial contribution to the re-establishment of peace-time industry on a healthy and prosperous basis in the extensive areas we serve.

In making these observations I should make it clear that the industry is by no means unmindful of the desirability of further co-ordination and certain technical and other improvements, which would tend to greater flexibility and still higher efficiency.

POST-WAR RECONSTRUCTION

Meantime there is a good deal of propaganda being assiduously spread around as

to the necessity for vital and far-reaching changes in the whole structure of the industry, as part of the so-called post-war reconstruction programme.

I think it is essential that consumers, employees and stockholders of all supply companies, ratepayers of local authorities and taxpayers generally, in their own interests, should examine proposals of the nature put forward from motives which I suspect are by no means altruistic, with meticulous care, so that they may not be misled by specious promises.

It is to be hoped that those in whose hands our post-war destiny may lie will realise how much the real necessities of the country depend not on Utopian plans, but on the efforts and personal freedom-loving people encouraged to work to the highest possible efficiency on sound commercial lines, proper regard being had, of course, to the welfare and security of all those employed in each particular industry.

The war has inevitably brought in its train a very considerable measure of control and bureaucratic influence in every phase of industrial and social activity. This control may have to be continued in some directions in the immediate post-war years, but it is the duty of everyone who wishes Britain to remain great to see that it does not become a permanent feature of the nation's economy.

You will have noticed in the Press proposals affecting the undertakings in London and the home counties. Do not let us pay too much attention to these grandiose schemes emanating from a body known as the London and Home Counties Joint Electricity Authority. These proposals have been thrown into the floodlight of publicity with somewhat indecent haste in the hope, no doubt, that they might capture popular imagination at a time of national crisis.

The report and accounts were adopted, and a final dividend of 5 $\frac{1}{2}$ per cent., making 8 per cent. for the year, was declared on the ordinary stock.

CONSOLIDATED MINES SELECTION COMPANY, LIMITED

The forty-seventh ordinary general meeting of the Consolidated Mines Selection Company, Limited, will be held, on the 23rd instant, in London.

The following is an extract from the statement by the chairman (Mr S. S. Taylor, C.M.G., D.S.O.) circulated with the report and accounts for the year ended December 31, 1942:—

The market value of the company's investments at December 31, 1942, was £1,293,030, as compared with £1,225,405, whilst the cash position was also higher at £61,675, as compared with £45,236. The profit and loss account, however, reflects the serious loss of income from one of the company's major assets—namely, its holding of shares in Mawchi Mines, Limited—and a substantial reduction of income from its interest in Rhodesian Anglo-American, Limited. The net profit for the year was £55,453. It is recommended that a dividend of 5 per cent., equivalent to 6d. per ros. unit of stock, less income tax, should be paid.

I think it can be reasonably anticipated that the results for the current year will at least not fall below those of last year.

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*, Brattenham House, Lancaster Place, W.C.2.

(Continued from page 371)

Tin Supplies

The steps taken to overcome the tin supply difficulties caused by the loss of the rich Pacific sources of supply were discussed in *The Economist* of November 28, 1942 (page 682). Since then further progress towards the solution has been made. On the production side, the labour difficulties in Bolivia, which temporarily slowed down exports from that country—at 34,952 long tons during the first eleven months of 1942 they showed a decline of 2,178 tons on the year—were settled early this year. The fall in Bolivia's exports has been offset by the rise in the production of the Belgian Congo; according to a recent public statement by M. A. De Vleeschauwer, the Belgian Minister of Colonies, output rose to 21,000 tons last year, compared with about 18,000 tons in 1941. Total extra-Pacific tin production in 1942 probably surpassed 85,000 tons—the output of the year ended October 31, 1941. In 1943 production may show a further increase. Apart from the fact that the threat of labour unrest in Bolivia has receded, production development in Africa is going ahead. The Belgian Congo, according to the Belgian Colonial Minister, aims at raising its output to at least 35,000 tons by 1945; tin mines in Nigeria have now received supplies of equipment through the intervention of the Combined Raw Materials Board. South Africa is going ahead with the development of its tin resources, including a promising newly discovered mine in South-West Africa.

The main contribution towards the solution of the tin supply problem, however, comes from economies in con-

sumption. According to a recent statement by the War Production Board, United States consumption of tin in 1943 will be cut to about one-half of the 1941 total of 100,000 tons. As that country's consumption in 1942 totalled 65,000 tons, this means a further cut of roughly 15,000 tons. If the cut in British consumption is of similar order, it should not be higher than 15,000 tons this year. A substantial margin between Anglo-American requirements and prospective extra-Pacific supplies in 1943 will thus remain from which the requirements of the other United Nations can be met. While in 1942 the major part of the economies in American tin consumption was accounted for by the replacement of tinplate by lacquered steelplate, the reduction of the tin content in bearing metals and bronze, the many prohibitions for the use of tin and materials containing tin, the increased savings in 1943, apart from the more extensive application of last year's economy measures, will be largely secured by a reduction in the tin content of solder and by the increased production of electrolytic tinplate. An order reducing the maximum tin-content in solder for general use from 30 to 20 per cent has recently been introduced by the War Production Board. The order was the result of extensive experiments with low-tin solders in 1942, in the course of which the technical problems connected with the greater heat requirements in the application of the low-tin solders have been solved. Electrolytic tinplate production, which in 1942 represented only 4 per cent of the United States' total tinplate output, will account for 60 per cent of the total output in 1943. According to WPB estimates this will cut tin requirements for tinplate to 11,000 tons, against 21,000 tons in 1942 and 48,700 tons in 1941. In sum, the Allied production programme is unlikely to be held up for lack of tin.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

TURNOVER in the markets continues at a low level, business in general failing to affect prices to any extent. The undertone is steady, and although there has been a slight recession this week, the *Financial News* ordinary share index last Friday touched a new high at 97.4. The *gilt-edged* market attracted little support this week and prices in consequence tended to ease slightly. In the *foreign bond* market, Greek loans were in demand, but the earlier gains were lost as the week advanced. Japanese issues were marked down slightly, while minor losses were recorded for Brazilian and Chilean stocks. Absence of interest, rather than any real selling, occasioned a fairly general decline in the junior issues of the *home rail* market, LMS and GWR ordinary shares in particular, falling $\frac{1}{2}$ and $\frac{1}{4}$ point respectively. The prior charges, however, remained steady. Following on last week's improvement, Argentine railway stocks were subjected to some profit taking. Central Argentine 4 per cent debentures lost 2 points, while among the junior stocks declines ranged from $\frac{1}{2}$ to $\frac{1}{4}$. Elsewhere, Canadian Pacific ordinary fluctuated erratically, easing $\frac{1}{4}$ on balance.

Changes in the *industrial* market were small and relatively insignificant. Leading brewery shares were marked down on fears of the coming Budget, Guinness and Bass both losing 1s. For similar reasons, Imps lost $\frac{1}{2}$, but other tobacco shares were steady. In the motor and aircraft section, Rolls-Royce were prominent with a loss of 1s, but the general tendency was upward. De Havilland and Hawker Siddeley both advancing 6d, among smaller gains. After a steady rise on hopes of an increased distribution, Swan Hunter lost 2s. on the news that the dividend was unchanged. Elsewhere in the heavy industrial section, Wm. Cory and Bolsover were firm. Cunard failed to retain an earlier rise of 10d. in a firm shipping section, several other issues gaining a few pence. Brad-

ford Dyers were strong on the settlement of the preference arrears, but there was little of note in the textile group. Electricity supply stocks were dull, while among electrical equipment issues Enfield Cable lost 1s. 6d. on the lower earnings. Among the dollar stocks, International Nickel fell a point on the year's results, and Brazilian Traction was persistently weak. Elsewhere London Brick and Radiation were prominent with gains of 1s. 3d. and 1s. respectively.

The recent strong Cape demand for *kaffir* shares did not continue this week. Quotations were generally easier, losses ranging from $\frac{1}{2}$ to $\frac{1}{4}$ for both developing and dividend-paying mines. General Mining and Union Corporation were exceptions to the trend, advancing $\frac{1}{2}$ and $\frac{1}{4}$, respectively. The *rubber* market was neglected, but *tea* shares were in demand. Among leading issues to improve, Jhanzie and Doora were outstanding with gains of 1s. 3d. each. Oil shares displayed a rather easier tendency throughout for lack of support. Leading issues were generally $\frac{1}{2}$ lower on the week.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares* 20 Fixed Int.†
Mar. 11.....	4,886	2,799	97.3 136.5
" 12.....	4,686	2,815	97.4 136.6
" 15.....	6,115	3,340	97.2 136.6
" 16.....	4,834	2,762	97.2 136.6
" 17.....	4,687	3,003	97.1 136.6

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 97.4 (Mar. 12); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

WAR developments failed to stimulate Wall Street this week, but extensive buying on investment account resulted in numerous 2 point advances for steel, rail and rubber issues in particular, raising many quotations to peak levels since November, 1940. The effect of a reduced volume of support at the reopening on prices was intensified

by profit taking, which in general climaxed previous gains.

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

	1943	Feb. 24, 1943	Mar. 3, 1943	Mar. 10, 1943
	Low Jan. 6	High Mar. 3		
347 Industrials.....	81.1	89.6	89.1	89.6
32 Rails.....	72.6	86.1	81.4	86.1
40 Utilities.....	67.9	76.6	75.9	76.6
419 Stocks.....	78.5	87.3	86.5	87.3
Av. yield %.....	5.36	4.91	4.92	4.91

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCK

Mar. 4	Mar. 5	Mar. 6	Mar. 8	Mar. 9	Mar. 10
110.0	110.6	110.8	110.3	109.7	109.1

1943: High, 110.8, Mar. 6; Low, 99.6, Jan. 2.

Total share dealings: Mar. 11, 1,430,000
Mar. 12, 1,972,000; Mar. 13, 830,000
Mar. 15, 1,365,000; Mar. 16, 1,027,000
Mar. 17, 1,268,000.

* Two-hour session only.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
March 20, 1943			
To Shareholders only	1,032,433	1,012,794	

Particulars of Government issues appear on page 377 including Conversions Excluding Conversion

Year† 1943..... 334,659,351 326,341.05
1942..... 334,169,027 330,166.96

Destination (Conversions Excluded)
Year† U.K. Brit. Emp. Foreign Countries

Year†	U.K.	Brit. Emp.	Foreign Countries
1943.....	325,553,457	787,600	27.00
1942.....	329,940,660	189,308	

Nature of Borrowing (Conv. Excl.)
Year† Deb. Pref. Ord.

Year†	Deb.	Pref.	Ord.
1943.....	321,593,261	609,837	4,137.95
1942.....	328,188,621	89,529	1,760.80

† Includes Government issue to Mar. 9, 1943, only. Above figures include all new capital in which permission to deal has been granted.

GOVERNMENT RETURNS

For the week ended Mar. 13, 1943, total ordinary revenue was £72,843,000, against ordinary expenditure of £120,196,000, and issues to sinking funds of £430,000. Thus, including sinking fund allocations of £13,877,212, the deficit accrued since April 1st is £2,649,169,000 against £2,559,470,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1, 1941 to Mar. 14, 1942	April 1, 1942 to Mar. 13, 1943	Week ended Mar. 14, 1943	Week ended Mar. 13, 1943
ORDINARY REVENUE					
Income Tax.....	913,000	725,977	935,996	24,194	38,036
Sur-tax.....	78,000	69,897	68,458	2,770	3,779
Estate, etc.,					
Duties.....	90,000	86,216	88,151	1,990	1,659
Stamps.....	15,000	12,543	13,180		
N.D.C.....	425,000	20,124	27,825	470	626
E.P.T.....	1,900	235,704	330,857	4,580	11,190
Other Ind. Rev.		762	850	55	
Total Ind. Rev.	1522000	1151223	1465317	34,059	55,290
Customs.....	438,295	355,178	435,797	13,133	11,840
Excise.....	366,705	311,098	404,800	1,900	3,000
Total Customs & Excise.....	805,000	666,276	840,597	15,033	14,840
Motor Duties.....	34,000	38,153	28,224	123	
Canadian Govt. Contribution (Net Receipts).....	225,000		224,719		
P.O. (Net Receipts).....	10,000	12,200	10,000	1,000	500
Wireless Licences.....	4,300		4,200		
Crown Lands.....	800	910	960		
Receipts from Sundry Loans.....	5,000	5,185	3,380	59	47
Miscell. Receipts.....	21,000	81,497	87,103	3,004	2,166
Total Ord. Rev.	2627100	1955444	2664500	53,278	72,843
SELF-BALANCING P.O. & Broadcast.	102,523	98,000	101,000	1,500	2,000
Total.....	2729623	2053444	2765500	54,778	74,843

Expenditure	Estimate, 1942-43	April 1, 1941 to Mar. 14, 1942	April 1, 1942 to Mar. 13, 1943	Week ended Mar. 14, 1943	Week ended Mar. 13, 1943
Issues out of the Exchequer to meet payments (£ thousands)					
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt.....	325,000	251,868	305,153	963	1,049
Payments to N. Ireland.....	9,500	8,076	8,080		
Other Cons. Fund Services.....	7,800	7,515	7,188	6	
Total.....	342,300	267,459	320,421	969	1,049
Supply Services.....	536,443	423,570	497,937	10,247	11,917
Total Ord. Exp.	570,743	450,318	529,972	10,348	12,016
SELF-BALANCING P.O. & Broadcast.	102,523	98,000	101,000	1,500	2,000
Total.....	580,936	460,118	540,972	10,498	12,216

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Feb. 2.....	6,153	2,230	7,717	8,972
" 9.....	5,745	2,278	6,200	8,586
" 16.....	5,753	2,040	12,138	7,533
" 23.....	5,484	2,569	8,700	6,716
Mar. 2.....	5,143	2,136	13,367	8,377
" 9.....	6,960	2,837	32,371	50,781
" 16.....			32,718	39,223
Totals to date	735,504*	545,848*	109,347**	178,555*

* 172 weeks. † 115 weeks. ‡ 16 weeks.
Interest free loans received by the Treasury up to Mar. 16th amounted to a total value of £55,252,038. Up to Feb. 27th, principal of Savings Certificates to the amount of £96,972,000 has been repaid.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Mar. 12th and Mar. 18th. (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 4-43-47½. Switzerland. Francs (25-22) 17-30-40. Sweden. Krona (18-169) 17-40-95, bank notes at Bank of England, 17-40-95. 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; mail transfers 99-80-100-30. Panama. 54-02-04; mail transfers 4-02-04½. Brazil. 83-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate);

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	250
Overseas Trade Guarantees.....	25
	275
NET RECEIPTS (£ thousands)	
Land Settlement Act.....	10

FLOATING DEBT

Date	Tender	Tap	Public Depts.	Bank of Eng-land	Treasury Advances	Treasury Deposits by Banks	Total Floating Debt
1942							
Mar. 14	845-0		Not available				
Dec. 12	1045-0		"				
" 19	1045-0		"				
" 26	1045-0		"				
" 31	2,833-2	161-6	67-7	966-5			4029-0
1943							
Jan. 9	1045-0		Not available				
" 16	1040-0		"				
" 23	1030-0		"				
" 30	1020-0	1770-8	231-7	24-0	980-5		4027-0
Feb. 6	1010-0		Not available				
" 13	1000-0		"				
" 20	990-0		"				
" 27	980-0	1829-7	230-1	24-7	1000-5		4065-1
Mar. 6	975-0		Not available				
" 13	975-0		"				

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Mar. 13	75-0	128-0	75-0	20 0-34	44
Dec. 18	75-0	137-4	75-0	20 1-64	39
" 24	75-0	144-8	75-0	20 1-25	29
" 31	75-0	143-5	75-0	20 2-05	41
1943					
Jan. 8	75-0	133-9	75-0	20 2-11	46
" 15	75-0	140-0	75-0	20 1-56	36
" 22	75-0	148-2	75-0	20 1-66	33
" 29	75-0	161-0	75-0	19 11-57	28
Feb. 5	75-0	158-7	75-0	19 11-80	29
" 12	75-0	141-6	75-0	19 11-85	34
" 19	75-0	152-7	75-0	19 11-93	32
" 26	75-0	172-8	75-0	19 11-88	24
Mar. 5	75-0	161-7	75-0	19 11-68	25
" 12	75-0	164-5	75-0	20 0-29	30

On Mar. 12th 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 30 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 March 19th. For the week ending March 20th, the banks will be asked for Treasury deposits to the 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 1951-53
Feb. 2.....	6,153	2,230	7,717	8,972
" 9.....	5,745	2,278	6,200	8,586
" 16.....	5,753	2,040	12,138	7,533
" 23.....	5,484	2,569	8,700	6,716
Mar. 2.....	5,143	2,136	13,367	8,377
" 9.....	6,960	2,837	32,371	50,781
" 16.....			32,718	39,223
Totals to date	735,504*	545,848*	109,347**	178,555*

* 172 weeks. † 115 weeks. ‡ 16 weeks.
Interest free loans received by the Treasury up to Mar. 16th amounted to a total value of £55,252,038. Up to Feb. 27th, principal of Savings Certificates to the amount of £96,972,000 has been repaid.

NEW YORK EXCHANGE RATES

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Marked Rates.—The following rates remained unchanged between Mar. 12th and Mar. 18th:

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18d. Belgian Congo. Francs 176½-2. China. National 2½-3½d.

Special Accounts are in force for Chile, 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 Mar. 12th and Mar. 18th:—Bank rate

OVERSEAS' BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s

	Mar. 12, 1942	Feb. 23, 1943	Mar. 4, 1943	Mar. 11, 1943
12 U.S.F.R. BANKS	12,000	20,441	20,449	20,443
RESOURCES				
Gold certifs. on hand and due from Treasury	20,515	20,441	20,449	20,443
Total reserves	20,855	20,859	20,860	20,854
Total cash reserves	523	532	574	570
Total U.S. Govt. secs.	2,253	5,911	5,800	6,099
Total bills and secs.	2,253	5,911	5,825	6,112
Total resources	24,244	28,512	28,380	28,502

LIABILITIES

	Mar. 12, 1942	Feb. 23, 1943	Mar. 4, 1943	Mar. 11, 1943
F.R. notes in circ.	8,597	12,511	12,672	12,705
Excess res. bank res.	3,270	1,790	1,790	1,880
Mr. bank res. dep.	12,359	12,917	13,935	13,122
Govt. deposits	603	258	14	5
Total deposits	14,345	14,316	14,090	14,306
Total liabilities	24,264	28,512	28,580	28,502
Reserve ratio	90.9%	77.7%	77.9%	77.2%

BANK AND TREASURY RESOURCES

	Mar. 12, 1942	Feb. 23, 1943	Mar. 4, 1943	Mar. 11, 1943
Monetary gold stock	22,709	22,643	22,643	22,644
Treasury & bank currency	3,271	3,925	3,953	3,971

LIABILITIES

	Mar. 12, 1942	Feb. 23, 1943	Mar. 4, 1943	Mar. 11, 1943
Money in circulation	11,529	15,952	16,154	16,205
Treasury cash and dep.	2,256	2,481	2,226	2,223

RESERVE BANK OF INDIA

Million rupees

	Mar. 6, 1942	Feb. 12, 1943	Feb. 19, 1943	Feb. 26, 1943	Mar. 5, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	250	154	145	138	123
Reserves abroad	547	842	883	913	916
Sterling securities	1,939	3,758	3,827	3,857	3,957
Ind. Govt. corp. secs.	1,313	1,844	1,825	1,825	1,825
Investments	114	66	66	65	63
LIABILITIES					
Notes in circ. India	3,646	6,097	6,117	6,144	6,254
Notes in circ. Burma	258				
Deposits: Govt.	195	340	384	407	324
Banks	432	495	517	505	529
Reserve ratio	59.8%	67.8%	68.5%	68.7%	69.3%

SOUTH AFRICAN RESERVE BANK

Million £'s

	Jan. 1, 1942	Dec. 31, 1942	Jan. 1, 1943	Jan. 1, 1943
ASSETS				
Gold coin and bullion	44.42	76.99	71.32	71.96
Bills discounted	0.41	0.95	11.03	11.02
Invest. and other assets	58.76	72.48	65.25	66.75
LIABILITIES				
Notes in circulation	27.13	39.63	37.92	36.74
Deposits: Government	15.22	2.57	3.12	3.77
Bankers'	48.74	98.96	100.21	100.71
Others	7.23	6.93	7.02	6.14
Reserve ratio	45.4%	52.2%	48.5%	49.1%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

	Jan. 13, 1942	Nov. 30, 1942	Dec. 14, 1942	Jan. 18, 1943
ASSETS				
Gold and stg. exch.	15.98	29.26	27.95	30.25
Advances to State	29.60	25.70	27.94	32.06
Investments	3.87	4.46	4.46	4.46
LIABILITIES				
Bank Notes	23.69	28.46	29.99	30.18
Bank Deposits	10.36	9.93	10.88	12.62
Bank and others	14.29	19.87	18.63	22.89
Reserve to sight liab.	32.9%	50.1%	47.0%	46.1%

PROVINCIAL BANK CLEARINGS

£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	Mar. 14, 1942	Mar. 13, 1943	Mar. 14, 1942	Mar. 13, 1943
Working days	6	6	62	61
Birmingham	2,345	2,243	29,960	28,985
Bradford	2,785	2,365	25,752	23,753
Bradford	2,132	638	24,157	7,525
Hull	776	482	9,101	8,543
Leeds	694	742	14,316	13,913
Leicester	964	836	10,111	10,053
Liverpool	4,928	4,447	50,951	48,015
Manchester	11,492	11,285	138,099	135,522
Newcastle	1,530	1,458	13,123	16,712
Nottingham	481	443	5,586	6,141
Sheffield	555	745	10,889	12,602
Southampton	136	75	1,389	1,753
12 Towns	28,818	25,682	338,433	311,497
Dublin*	7,461	8,164	73,229	76,552

* Mar. 7 1942, and Mar. 6 1943.

* Mar. 7, 1942, and Mar. 6, 1943.

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1942								1943	
		1929	1932	1939	1940	1941	1942	Jan.	Feb.	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Population mid 1939, 47,676,000; Area: 95,030 sq. miles; (244,000 sq. kms.)		...	78	108	111	110	114	108	113	117	110	105	113	113	122	110	...
1. Retail trade, Gt. Brit.: Food	Avg. daily sales in 1937=100	...	83	102	107	99	102	102	94	89	86	100	112	99	123	85	...
2. " " Other merchandise		...	81	105	109	105	108	106	103	104	98	101	112	106	123	99	...
3. " " Total		1,212	2,756	1,514	963	350	123	194	188	107	114	104	101	96	87	99	...
4. Registered unemployed G.B.*†	Thousands	1,276	2,813	1,690	1,035	392	144	225	215	124	132	122	119	114	107	121	...
5. " " United Kingdom (a)	"	118	306	239	214	59	29	42	41	26	26	24	24	22	19	21	...
6. " " London	"	50	142	93	99	28	10	17	20	6	7	7	6	3	3	3	...
7. " " E. and S. England (b)	"	69	157	76	33	16	5	8	16	4	4	6	5	4	5	7	...
8. " " S.W. England (c)	"	165	371	153	92	28	7	13	14	7	8	7	6	6	5	6	...
9. " " Midlands & N. Midlands (d) (e)	"	280	602	151	75	30	8	14	20	15	16	13	13	12	10	11	...
10. " " N.E. England (d)	"	285	562	309	149	54	15	25	20	15	16	13	13	12	10	11	...
11. " " N.W. England (e)	"	...	139	49	37	13	22	21	10	12	11	10	10	9	11	...	
12. " " Northern	"	156	378	127	125	51	24	34	33	22	21	21	21	20	19	21	...
13. " " Scotland	"	116	228	127	89	41	14	20	19	13	14	13	13	12	11	11	...
14. " " Wales	"	36	68	76	75	42	21	30	27	17	18	18	18	19	20	22	...
15. " " Northern Ireland	"	675	541	107	78	87	126	59	28	42	37	53	337	93	90	37	...
16. Industr. disputes. No. days lost.		100	70.4	76.2	93.9	102.4	110.3	109.3	110.6	115.7	111.2	111.5	107.8	109.3	111.5	112.3	112.5
17. Wholesale Prices: Economist:	1929=100	100	72.8	76.4	95.4	101.0	110.3	115.5	115.4	118.4	118.4	123.0	121.8	120.4	121.7	122.8	125.2
18. Cereals and meat		100	72.8	76.4	95.4	101.0	110.3	115.5	115.4	118.4	118.4	123.0	121.8	120.4	121.7	122.8	125.2
19. Other foods		100	76.3	63.8	93.0	100.7	100.7	102.3	102.4	100.6	98.3	100.8	100.7	100.7	100.1	102.5	99.1
20. Textiles		100	76.3	100.0	125.0	135.7	139.2	136.7	136.7	138.0	137.9	143.5	143.5	143.5	143.5	141.1	141.1
21. Minerals		100	67.8	80.3	104.3	114.4	120.1	117.7	118.9	120.8	119.3	122.1	120.9	121.1	122.0	122.8	122.2
22. Total, incl. miscellaneous.		100	67.8	80.3	104.3	114.4	120.1	117.7	118.9	120.8	119.3	122.1	120.9	121.1	122.0	122.8	122.2
Cost of Living: Min. of Labour:		100	81.8	92.4	107.2	108.7	104.9	105.9	105.9	103.9	103.9	105.2	105.8	106.5	106.5	106.5	106.5
23. Food		100	87.8	96.4	113.1	121.4	121.9	122.0	122.0	122.6	122.0	122.0	122.0	122.0	121.3	121.3	121.3
24. Total		100	81.8	92.4	107.2	108.7	104.9	105.9	105.9	103.9	103.9	105.2	105.8	106.5	106.5	106.5	106.5
25. Industrial securities, Fin. News	Jul.1.1935=100	100	64.0	78.1	128.2	74.3	82.9	80.4	77.0	133.7	133.7	133.7	133.7	133.7	133.7	133.7	133.7
26. Fixed interest	1928=100	100	96.8	113.6	118.2	129.3	135.9	137.7	133.7	133.7	133.7	133.7	133.7	133.7	133.7	133.7	133.7
27. Govt. Revenue, cumulative (f)	Mill. £'s	815.0	827.0	1132.2	1242.9	1397.7	1487.6	3984.0	4392.0	1668.1	2198.2	2646.6	3140.4	3584.8	4134.9	4678.7	5147.4
28. " " expenditure (f)		829.5	859.3	1258.9	1509.9	1666.6	1831.3	806.9	744.2	748.5	814.9	831.5	832.5	846.9	844.1	903.9	912.9
29. Bank of Eng.: Notes in circ. (g)		62.9	81.3	102.8	110	121.1	136.3	140.3	130.7	133.0	133.8	135.9	138.3	139.1	159.5	161.6	161.6
30. " " Bankers' deposits (h)		55.9	64.7	100.0	143	142.8	150.7	155.2	153.1	154.2	136.7	135.9	153.2	174.4	159.0	185.6	173.2
31. Gov. sec. B'king Dept. (g)		55.9	64.7	100.0	143	142.8	150.7	155.2	153.1	154.2	136.7	135.9	153.2	174.4	159.0	185.6	173.2
Clearing Banks: (k)		1,738	1,791	2,248	2,484	2,970	3,376	3,222	3,085	3,264	3,306	3,358	3,424	3,472	3,629	3,577	3,521
32. " " Deposits		194	187	244	265	311	344	330	318	342	351	349	350	367	390	378	377
33. " " Cash & bal. with B.E.		229	308	255	386	431	485	452	435	471	473	483	477	471	481	498	497
34. " " Discounts		991	944	991	944	849	795	812	826	796	784	744	773	763	773	758	766
35. " " Treasury Deposit Receipts		257	348	608	659	919	1,069	1,008	1,017	1,075	1,082	1,097	1,108	1,117	1,120	1,112	1,106
36. " " Advances		257	348	608	659	919	1,069	1,008	1,017	1,075	1,082	1,097	1,108	1,117	1,120	1,112	1,106
37. " " Investments		5.498	3.008	2.24	2	2	2	2	2	2	2	2	2	2	2	2	2
38. Interest Rates: Bank rate	Per cent.	5.26	1.87	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	1.03
39. " " Three months' bank bills		4.47	1.61	0.87	0.76	0.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
40. " " Day to day loans		4.61	3.75	3.76	3.40	3.12	3.02	3.01	3.00	3.02	3.01	3.00	3.03	3.07	3.03	3.03	3.03
41. " " Yield on 24 mos. Consols.		4.61	3.75	3.76	3.40	3.12	3.02	3.01	3.00	3.02	3.01	3.00	3.03	3.07	3.03	3.03	3.03

(a) 1937, average January to August; figures for September-December not comparable owing to revised method of counting adopted in September, 1937. (b) From January, 1940, includes former Southern and South-Eastern divisions. (c) Includes Southern Division before January, 1940. (d) From September, 1939, Grimsby and Lincoln included in North Midlands instead of N.E. England. (e) From December, 1941, High Peak Parliamentary Division of Derbyshire included in North Midlands instead of North-Western England. (f) Ordinary and Self-balancing revenue and expenditure. Annual figures are totals for financial year, beginning in year shown. Monthly figures are cumulative. (g) Average of weekly figures. (h) Annual figures for 1929 and 1932 do not include District Bank.

COMMODITY AND INDUSTRY NEWS

Headwear Quotas.—The quota for supplies of headwear between March 1st and August 31st has been fixed at 15 per cent, by value, of the supplies during the year 1941. It is estimated by the Board of Trade that this quota will allow for the employment of persons not suitable for more important work, but it implies no guarantee of enough labour to fill the quota.

Gas Control.—The Inter-Departmental Committee on the supply of gas and other fuels for war factories is now under the chairmanship of Mr. Tom Smith, Joint Parliamentary Secretary to the Ministry of Fuel. Mr. George Everts (a director of a number of companies) has been ap-

pointed Gas Advisor to the Ministry, and the gas staff has been strengthened. Dr. W. E. Smith, Director-General of Gas Supply, Ministry of Fuel, has resigned.

Shop Assistants' Wage Increase.—The National Joint Industrial Council for the Retail Drapery, Outfitting and Footwear Trades has agreed certain wage increases to begin on April 5th. The minimum wage for managers and managerses will be raised by 4s. or 5s., according to the size of staff. Wages will then vary from 65s. to 90s. a week according to sex and locality. For sales assistants, cashiers, clerks and other male employees, the rise ranges from 1s. 6d. a week to 4s., according

to age and sex. Minimum rates will vary from 17s. to 72s., according to age, sex and locality. The increases do not apply in certain areas described as "depopulated."

(Continued from page 378)
a Joint Committee whose terms of reference are "To report upon the measures required to ensure that scientific knowledge in respect of the production and use of seed

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

	Mar. 11, 1943	Mar. 12, 1943	Mar. 15, 1943	Mar. 17, 1943	Mar. 17, 1943
Crops	117.0	117.1	117.2	117.4	117.4
Raw materials	172.7	172.7	172.7	172.7	172.7
Complete Index	142.1	142.2	142.3	142.4	142.5

	Mar. 31, 1937*	Aug. 31, 1939	Mar. 31, 1942	Feb. 17, 1943	Mar. 10, 1943
Crops	147.9	92.2	116.1	115.7	166.9
Raw materials	207.3	122.9	172.7	172.7	172.7
Complete Index	175.1	106.4	141.6	141.4	142.1

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937*	Aug. 30, 1939	Mar. 3, 1942	Feb. 23, 1943	Mar. 9, 1943
Cereals and Meat ..	93.0	66.9	109.2	109.2	109.7
Other Foods	70.4	61.1	99.5	107.3	107.3
Textiles	74.2	54.3	93.9	92.1	92.2
Minerals	113.2	95.4	130.7	135.9	135.9
Miscellaneous	87.0	77.6	119.8	124.1	124.1
Complete Index	87.2	70.3	110.3	113.4	113.5

1913=100	119.9	90.8	151.8	156.0	156.1
----------------	-------	------	-------	-------	-------

* Highest level reached during 1932-37 recovery.

RETAIL FOOD PRICES.

	Average price per lb. at			
	Sept. 1, 1939	Jan. 1, 1943	Feb. 1, 1943	cent. in- crease since Sept. 1, 1939
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, chilled or frozen				
Ribs	0 9½	1 1	1 1	35
Thin Flank	0 4½	0 6	0 6	22
Mutton, British—				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	—
Bacon	1 3	1 10½	1 10½	50
Fish	—	—	—	—
Flour (per 7 lb.)	1 1½	1 5	1 5	32
Bread (per 4 lb.)	0 8½	0 9	0 9	9
Tea	2 4	2 6	2 7½	13
Sugar (gran.)	0 3	0 3	0 3	—
Milk (per qt.)	0 6½	0 9	0 9	32
Butter (salt)	1 4½	1 8	1 8	21
Cheese	0 10	1 1	1 1	30
Margarine, special	0 6½	0 9	0 9	12
Standard	0 3	0 5	0 5	5
Eggs, fresh (each)	0 1½	0 1½	0 1½	—
Potatoes (per 7 lb.)	0 2	0 2	0 2	—
Index all foods weighted 1914=100	138	164	164	19

Source: Ministry of Labour Gazette.

Correction.—In a note in these columns in last week's issue, entitled "Women's Wages in Agriculture," it was erroneously stated that a minimum wage of 45s. a week had been fixed for women in agriculture. The question of women's wages is still being discussed by the Central Agricultural Wages Board, which is now referring its proposals to the County Agricultural Wages Committee for their observations.

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

	Stocks (end Year & Month)	Home Trade	Total	% Change from a Year Ago
1937	100	100	100	+ 1.0
1938	94	94	93	- 7.0
1939	86	105	103	+ 10.7
1940	93	118	116	+ 12.6
1941	83	98	99	- 14.7
1942	95	104	—	—
1941, Dec.	93	82½	70	- 7.9
1942, Jan.	109	75	76	+ 17.1
Dec.	95	81½	66	- 5.7
1943, Jan.	113	76	74	- 2.6

Indices calculated by Wholesale Textile Association in collaboration with Bank of England.
Purchase Tax is not included; figures are therefore comparable throughout.

Source: Board of Trade Journal.
* Publication of Indices of Export Sales suspended in Sept., 1942.
† Revised.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5196

REGISTERED AS
A NEWSPAPER

MARCH 27, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Declaration of Purpose - 381

US Planning for Peace - 391

Year of Decision - 383

Polish Agriculture - 394

The "Utility" Principle - 384

A Future for Cotton - 398

NOTES OF THE WEEK - 386

FINANCE AND BANKING - 399

On the Move; Neighbourlike and Sensible; Personal; Putting Milk into Babies; Spring in Russia; MacHeath's Dilemma; Heroes' Day; The Health Services and the BMA; The Foreign Service; The Distaff Side; Flowers and Logistics; The Nurses' Bill; Help for the Jews; War Pensions; Shorter Notes.

Expansion in Credit Base; Mr Churchill on Money; Indian Silver Price; US Buying Price for Silver; Morgan, Grenfell Capital.

INVESTMENT - 400

Prices Still Rising; MAP and Short Brothers; Great Boulder Again; "Model" Accounts; Heavy Industries Expansion; Baldwins' Accounts; Shipbuilding Profits; London Brick Report; Two Motor Results; Higher Courage Dividend; Electric Power Profits; Chain Store Setback; Finance for Copper.

AMERICAN SURVEY - 391

Milwaukee in this War; Planning for Peace; American Commentary; The Times on Russia; Wages Formula; Shorter Notes.

INDUSTRY AND TRADE - 404

Growing Industries; Statement of Aims; Higher Wages for Engineers; More Combined Committees; Holidays at Home; Lower War Damage Premiums; More Paper Restrictions; Liverpool Steam Ship Owners.

THE WORLD OVERSEAS - 394

Polish Agriculture; Labour Troubles in Bolivia; Banking in Eire; Transport in India.

COMPANY MEETINGS - 406

LETTER TO THE EDITOR - 397

RECORDS AND STATISTICS - 408

Declaration of Purpose

MR CHURCHILL is a great leader because he is a good democrat. Time and again, he has proved this in the conduct of the war. He responds to the spur like a classic racehorse, however much he may toss his head and heels from high mettle. His reluctance to discuss the problems of peace before the war is won remains; but it is no longer a refusal. On Sunday, he stated the agenda for peacetime planning; he has entered himself for the peace stakes.

There has been a disposition among a few of the more anxious tipsters to look this gift horse in the mouth. Their comment has concentrated on the many things that the Prime Minister did not say in the broadcast rather than on the welcome and heartening things he said. There is little excuse for this niggardliness. It is not shared either by the people of this country or by those of the world at large, who have taken Mr Churchill's declaration of purpose at its face value. Continually for nearly three years, Mr Churchill has been asked to identify himself with the minimum basis of agreement that already exists about the shape of post-war policy, to add the cachet of his unique authority to the hopes and aspirations bred by the common effort and sacrifice of war. On Sunday, he did precisely this. The agenda he stated for security abroad and at home could not be comprehensive or complete, because agreement

is neither. All the Prime Minister could do, and did, was to state the essential minimum of a sound settlement after present afflictions. The only valid criticism of this remarkable broadcast is that it might helpfully have been made many months ago.

This is not to suggest that there was anything final or definitive about what Mr Churchill said. His speech was the beginning not the end of policy-making, the premises not the conclusions. His vigorous passing jab against those people who have pressed for this pronouncement was immediately belied by the fact that he still thought fit to make it. Nor, perhaps, was he on sounder ground, in his short polemical introduction, when he spoke of the impossibility of Governments binding themselves or their successors in advance on matters of policy. It is not necessary that democratic Governments should be bound to live from hand-to-mouth; nor is it historically true to say that they have ever been so bound. The essence of democratic government lies, not in the inability of one Government to commit its successor, but in the right of its successor, or the people, to decline to be bound. The doctrine of discontinuity which the Prime Minister adumbrated on Sunday would be the negation of government. Every Government in the past that has laid down a battleship, made a treaty, or passed an Insurance Act has limited the freedom of manoeuvre of the Government

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET
New York Agency: 65, BROADWAY, NEW YORK CITY

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras Mandalay	Kisumu Mombasa	Kenya Colony British E.A.
Amritsar	Colombo	Nuwara Eliya	Nairobi	
Bombay	Delhi	Nakuru	Uganda	
Calcutta	Kandy	Rangoon	Entebbe	
Cawnpore	Karachi	Tuticorin	Jinja	
Chittagong	Lahore	Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga	Tanganyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000
PAID-UP CAPITAL ... £2,000,000
RESERVE FUND ... £2,200,000

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

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 SHAREHOLDERS \$20,000,000

Head Office (temporarily):

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9, Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT.

NOTICE IS HEREBY GIVEN that the sixty-fifth ORDINARY GENERAL MEETING of the shareholders will be held at the Company's offices, 61 Avenue Fouad Ier, Alexandria, on Thursday, the 8th April, 1943, at half-past four in the afternoon for the transaction of the ordinary business of the Company, pursuant to Act of Parliament.

Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before the 27th March, 1943, or in Alexandria before the 7th April, 1943, until after the Meeting, at the National Bank of Egypt, 6 King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

Dated Alexandria, Egypt, the 26th February, 1943.

By Order of the Board,
T. D. KEY, R. WALTON, Joint Managers

AGGREGATE ASSETS
at 31st March, 1942,
£29,317,186

Established over 80 years

BANK of NEW ZEALAND
Incorporated with limited liability in New Zealand

Represented at over 200 points
in New Zealand and at Melbourne,
Victoria; Sydney, New South Wales;
Suva, Fiji; Apia, Samoa.

LONDON OFFICE:
1, Queen Victoria St. E.C.4.
John Forbes, Manager.

Head Office: WELLINGTON, N.Z.
H.R.H. Chalmers, General Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000
ASSETS EXCEED - £81,000,000
CLAIMS PAID EXCEED - £147,000,000
(1942 Accounts.)

that have followed. "The life of policies is not bounded by the arbitrary divisions of years or of Parliaments; and it is a weakness, not a strength, that the finances of the nation, both current and capital, are framed in rigidly annual periods. Mr Churchill's Government has both the right and the duty to propose a post-war plan, even before the war is over; it will then be the right and duty of the statesmen who follow, sustained by the popular vote, to dispose or accede as they please.

The Heads of the Proposals

What has Mr Churchill proposed? The details have been displayed in every newspaper in the world in the past week; some are discussed in Notes on pages 386 and 399. Broadly the speech fell under three headings: the proposal for a Concert of Europe—and Asia—after the war; the sketch of a Four Year Plan for post-war domestic government; and the exhortation to let these matters rest until the war is over. The Prime Minister ended as he began, with the plea "Let us get back to our job." It was perhaps hardly necessary, addressed as it was to a nation fully mobilised and embattled as it never has been before. The truth is that effective means of "averting that horrible, devastating slump" and "that squalid epoch of bickering and confusion which mocked and squandered the hard-won victory we gained a quarter of a century ago" are the obvious and necessary reward of the all-out effort that is now being made. There can be no vestige of dissent from the Prime Minister's appeal that not a single ounce or moment of endeavour should be relaxed, for any reason, from the task of winning the war. "No promises about the peace, but every possible preparation"; that is Mr Churchill's own formula, heard with relief by the whole free world on Sunday as a great conversion, the turning of Saul into Paul, the belated admission by the first statesman of democracy that the planning of peace is part of the winning of war.

Mr Churchill was brief but blunt about post-war collective security. He called for a representative Council of Europe—and one of Asia—made up, on the one hand, of the Great Powers whose weight in the industrial arts of modern warfare must be decisive and, on the other, of broad confederations of the smaller states, who individually must be helpless. The problem is to mobilise might in the cause of peace while preserving right in the fully protected dues of small nations. It is doubtful whether the sum of two or three small Powers, whether or not it is called a confederation, is one Great Power; and the essence of any such arrangement, however devised, must be the tolerant respect by powerful nations of the personality and independence of their smaller neighbours. The test is the possibility of infusing international relations with the spirit of confidence that makes majority rule in the democratic process tolerable and workable. Given such confidence, the machinery that Mr Churchill roughed out, with its provision for a court of justice and a common police force, is the only apparatus for an enduring peace. The concept of geographical Councils has been questioned in some quarters abroad, not altogether unfairly, for its suggestion of regional separatism. The United States must be as concerned with the preservation of European peace as Britain will be concerned with the maintenance of peace in Asia and the Pacific. The problems of peace and war may be regional; but collective security, like war, is world wide.

It would indeed be a carping tongue or pen that found food for radical criticism in the Prime Minister's rough headings for a Four Year Plan for Britain. He approved outright "national compulsory insurance for all classes, for all purposes from the cradle to the grave." He stated strongly the right and duty alike of all, of every class, to work. He placed a national health service and the war against disease, with the maintenance of an improved agriculture, high in the list of priorities. He proclaimed the need for a broader and more liberal system of education in which all must have their chance. He placed his imprimatur upon schemes to replan and rebuild cities,

towns, villages, roads and workplaces. He spoke with feeling about the paramount need for a stable price level to guarantee a due reward for thrift and work during the transition from war to peace.

No intelligent man, and certainly not Mr Churchill, would suggest that to state this agenda is to supply solutions. Whether national insurance, first proposed by Pitt, lately elaborated by Sir William Beveridge and now supported, in tune with his own political record, by the Prime Minister, is yet taken to imply the prevention of want as a first charge upon national wealth, side by side with the charges of defence and debt, remains undecided. Whether the right and duty to work is to mean state control over the process of investment and over the transfer and training of labour has still to be settled. Whether the national health service can be made a reality by the multiplication of expert institutions and trained personnel has still to be worked out in terms of practical policy. Whether it is right or just or economical or expedient that an agricultural policy will be pursued which will levy a high charge upon industrial Britain in order to sustain an industrial standard of living in the countryside has still to be expressed in terms, to use Mr Churchill's own phrase, of "national housekeeping." Whether the present population trends, which threaten to stabilise, to age and then to diminish the numbers at work and alive in this country, can be reversed by children's allowances and better welfare is still an open question. Nothing Mr Churchill said, except perhaps in his few words about agriculture, prejudiced or anticipated these answers and solutions; and upon them any plan, for four years or forty, must depend.

Mr Churchill stated principles as well as goals. He defined the function of the state as being to influence social and economic development in such a way as to bring these goals within reach. He insisted that, while the responsibility must always in the last resort rest upon the community, enterprise must be permitted its reward, and thrift its privileges. He emphasised that, high though taxation must inevitably be after the war, it must not be so high as to remove personal incentive or to destroy initiative and enterprise. By implication, he painted a picture of positive public policy, aimed at giving state aid in every venture where social motives must for social reasons precede considerations of private profit; at furnishing state projects for the future employment of men and machines when private projects are likely to fall short; and at providing safeguards and assurances for the fruitful use of the life, labour and talent of every independent and willing British citizen. This is, admittedly, much more than a literal translation of what he said; but it is not an unreasonable one. Into his statement can be read the shadowy formula for a supple and sinewy economy based on adaptability and work.

Politics and Policy

Perhaps the main significance of Mr Churchill's broadcast, when these tributes have been paid, lay in the hints it gave of the political means by which the ends he stated are to be attained. At the outset, he spoke with some acerbity of "party strife." Later, he spoke, somewhat ambiguously, about the need for a National Government, made up, alternatively, of all parties or of all the talents, "comprising the best men in all parties who are willing to serve." What does this mean? In some quarters, it has been interpreted as a suggestion that Mr Churchill, on the basis of the present coalition and the present distribution of seats, will seek to extend his present tenure of office during the reconstruction period by a coupon election. But Mr Churchill has grown up in Parliament. He knows the vigour and worth of party politics, as well as its defects and failures. He knows as well as any critic that it will not be possible to be non-controversial about these vital issues in peacetime. "Friction," he said in Parliament on Tuesday, "is healthy, and is widely and almost universally dispersed." It has also been suggested, and denied, that Mr Churchill may be preparing to collect behind him the men who will strive for the purposes he has declared, as a Centre Party; the political

issue is plainly whether the communal purposes which his broadcast echoed shall have precedence over sectional claims. It is most likely, however, that he merely meant to warn the Whitsun Labour Conference that, if the Labour Party repudiates the electoral truce, it may lose its leaders as it did in 1931. But whatever agreement there may be about the purposes declared on Sunday, there are fundamental disagreements about their interpretation and about the ways and means of their achievement. It is the high duty of British democracy in the coming years to hear these clashing views and to decide upon the programme as it proceeds; and if Mr Churchill's intention were to stifle discussion and disagreement, he would be gravely in error. Any deliberate attempt to repeat the manoeuvre of 1931 would be a poor service to all that Mr Churchill himself stands for.

The nation has heard his words. They know his aims. Now, even before the war is over, they look for proof. He has set out, in his own idiom, the minimum of agreement from which the forging of policy must start. He has admitted, in plain terms, the dangers of a hiatus between war planning and peace planning. He has described the disorder and disillusionment into which the nation fell after the last war. He has spoken, vaguely, of "preparation including preliminary legislative preparation." The

The Year of Decision

IN his report to the nation, Mr Churchill sketched both a time table of victory—the crushing of the Germans in 1944 or 45—and a framework for peace once victory has been achieved. Few people will quarrel with the Prime Minister's forecast for victory. The peace that will follow must, as he said, hinge on the co-operation of the Great Powers; and Europe must achieve some form of super-national unity, which will nevertheless preserve the individuality of the historic nations. So much is clear and very generally agreed. But one doubt must remain, and it arises, not from Mr Churchill's plan, but from the time table. Will a victory achieved in 1944 or 1945 bring world collaboration and unity to Europe? May it not, unhappily, be one year too late?

Since the magnificent winter victories in Russia, the people of this country have heard a great deal about the Germans' desperate condition—the shortage of manpower, the lack of oil, the Fuehrer's collapse. They have forgotten the terrible cost at which the Russians gained their victories. Even the reserves of Russian manpower are seriously overtaxed. Six million of their best fighters are lost; millions more men and women are in occupied territory or have been deported to Germany. The agricultural situation is grave. Only a percentage of the area harvested last year can be sown in this. Famine faces large areas. Can this nation, shattered, decimated, its economy dislocated and its war effort overstrained, fight on for another year, as it has done for nearly two, still, possibly, bearing the main brunt of the war? The Russian answer is an emphatic "No." As Alexander Werth pointed out in his Russian Commentary, broadcast on Tuesday, victory in 1944 or 1945 means nothing to the Russians. They want the assurance of victory this year, and from their Allies they expect the only assistance which is likely to put a term to their agony—the Second Front.

The Second Front has become the test which Russia applies to the sincerity of British and American intentions. It is no use complaining that, in the light of relative war preparedness or the shipping position or the lone plight of Britain in 1940, the criterion is unfair; or that Allied aid, direct and indirect, is substantial. The Russians regard the Second Front, not only as the urgent and imperative military need, but also as the sole test of confidence. Any hope of a lasting peace based on the co-operation of the United Nations depends, as much as the outcome of the war itself, on the events of 1943.

In the grim arena of the Russian front, the two nations fight like boxers in the last round but one. Both are

proof turns upon whether "preparation" means preparedness, in the sense that Mr Churchill called for preparedness four years ago—when Mr Chamberlain was "preparing" for war. Will the Government be ready when peace breaks out? This cannot be assured by research and drafting in the War Cabinet Offices or the Departments, however industrious or however expert. The test is whether, out of all this effort, there will emerge, before the war is over, actual Acts and actions to be passed upon by Parliament and public opinion in free debate. A Ministry of Social Security; a comprehensive Education Act; children's allowances; the root-and-branch reform of health insurance and workmen's compensation; laws against monopolists and all their practices; a Royal Commission on Unemployment Prevention; the perfecting of the new National Income technique of public finance, in place of the old Treasury approach—even the first items in the list of deeds that cannot wait are many. Mr Churchill may be wise to give no promises. His broadcast has given a vast deal of encouragement. Now the people and Parliament will look for positive signs that post-war policy will be prompt and apt from the moment of the cease fire. Time, like money, George Eliot once said, is measured by our needs.

staggering under the punishment. The Russians argue that if their Allies enter the ring now the defeat of Germany is assured. The collaboration of war will be crowned by a joint victory, which is the only kind of victory that can lead to collaboration in peace; even if the Russians strike the knockout blow alone, their victory is not likely to lead to collaboration.

Two main and apparently contradictory strands are woven into the fabric of Russia's external relations. One is the strand of security through isolation; the other that of collective security. Both have been a function of confidence. During the first Five Year Plan, when the outside world was still considered hostile, the Russians took no part in the League's attempts to build up collective security and used the Communist International to undermine the solidarity of the Western Powers. This phase of defensive mindedness lasted a decade. With the rise of Germany and Japan and the world-wide reaction against their systems, Russia moved to the policy of collective security at Geneva and of the Popular Front in the International. After Munich a new twist: the Russians, under cover of the Russo-German Pact, occupied a "strategic frontier," the Communists preached a people's peace. Since 1941, the policy of collaboration has been given another trial. The Russians have sought security in isolation when they distrusted the outside world, in collaboration when they thought there was a chance of a genuine alliance. It is beside the point to argue whether or not they were hag-ridden by false fears. Confidence is not a fact but a state of mind.

There are disturbing signs that the mood of confidence of 1941 is slipping away. The dispute over the Polish-Russian frontier has been followed by the appointment of M. Korneichuk to be Vice-Commissar for Foreign Affairs. M. Korneichuk wrote the recent article in *Pravda* attacking the Poles and proclaiming the unity of the Ukraine. If Russia believes itself to be abandoned and isolated, it will work as a minimum for the so-called "strategic frontier" of 1941. If not, there is no reason to suppose that the Soviet Union would not be ready to reach a solution acceptable to the United Nations, for the Russian Government would then be interested in preserving collective security and in avoiding any arrangements which would jeopardise it.

There have been many discussions in Britain and America in recent weeks about the future of Europe. The American press has gone far in saying bluntly what kind of frontier settlement would be unacceptable to American

opinion. The London press has, in a more veiled form, discussed the question of Allied co-operation in general and the particular questions raised by frontiers, spheres of influence, regional groupings, and so forth. Mr Churchill's broadcast stated the highest common factor of these busy discussions. But all plans or projects, fears

or hopes are academic unless they hinge on confidence. There is no automatic way—collective security, balance of power, isolation—of securing peace. Security rests upon the extent to which the nations desire collaboration, and as far as Russia is concerned, that question now turns on the Second Front.

The "Utility" Principle

THE Board of Trade's "utility" scheme is the child of wartime scarcity. It was designed to secure economies in manpower and materials; to ensure a measure of equality in the distribution of essential personal and household goods; and, so far as limited resources permitted, to guarantee reasonably high standards of quality. The realisation of the first and third objects meant simplicity of design and, in some cases, standardisation. To this end, the Government, in consultation with production and marketing experts, has issued specifications to the trades concerned. To achieve the second object, the Government has earmarked a proportion of materials and productive capacity for the manufacture of utility goods, and introduced price control at every stage of production and distribution, while exempting some of the goods from purchase tax. The scheme, which comprises goods of an annual retail value of at least £300 millions at present prices, was first applied to clothing in the summer of 1941, and it has since been extended—with variations to suit each group of products—to household textiles, pottery, furniture and cigarette lighters. It represents, in one respect, the application to certain essential non-food items of the policy applied to food, with the important exception that utility goods are not sold below cost.

Within the limits of wartime conditions, the utility scheme has not been unsuccessful. A comparison made by the Ministry of Labour has shown that, on the average, the prices of utility clothing are lower than those of non-utility goods (exclusive of purchase tax) of corresponding quality. It has been suggested that, instead of dropping the scheme after the war, it might, with suitable modifications, be made part and parcel of peacetime economy, with the object of guaranteeing an ample supply of low-priced and good quality essential and conventional consumption goods, and as one means of avoiding postwar inflation. Undoubtedly, there is much to be said for retaining the utility scheme during the difficult period of transition from a war to a peace economy when scarcity will still predominate. The question is whether the scheme will have outlived its usefulness when the transition is over.

The value of the "utility" principle as an instrument of peacetime policy must be considered in relation to economic and social aims. How far is it likely to contribute to an increase in the general standard of living through reductions in real costs of production? How far will it assist the Government to translate into practice the growing demand that the provision of the essentials of life—the National Minimum—should be made a first charge upon the nation's resources? The need for the detailed planning of the use of scarce resources in war, has, not unnaturally, focused attention on the advantages, rather than the disadvantages, of detailed planning in peace. There is an inevitable temptation to elaborate a neat plan for taking over the utility scheme bodily into peacetime practice, that is to draw up a scheme whereby the Government would issue specifications, earmark productive capacity and materials, control prices and promote technical efficiency to ensure an adequate and cheap supply of almost all consumers' goods.

Actually, it is very doubtful whether the utility principle could, or should, be applied *in toto* in times of peace to such a wide range of consumption goods. The first step in translating the National Minimum into practice, as a peacetime objective, is to define it, to set out the essential needs of food, clothing, housing and so on. This is a task mainly for the health experts, though it must be

largely influenced by habits and conventions. Although great progress has been made in recent years in the assembly of data about essential needs, there is no such thing as an absolute minimum applicable to all persons. The present wartime minimum can hardly be a satisfactory criterion for a peacetime minimum. People must be free to choose in their basic spending.

Certainly the Government might well undertake the task of setting standards of quality for essential goods, in collaboration with producers and representatives of consumers, a principle which is by no means novel, though its application was limited before the war. There is scope for its extension, especially in relation to housing and household goods. But it could hardly be applied to the whole range of personal and, especially, fashion goods. Nevertheless, the setting and enforcing of adequate standards where these are not already provided by private enterprise could contribute considerably to an improvement in the quality of essential consumers' goods.

The question is whether and how far the Government should undertake the task of setting consumption, as distinct from quality, standards. It may be argued that, provided quality standards are enforced and money incomes are adequate for the purchase of essentials, money demand will do the rest. But experience has shown that money demand does not always ensure the desirable consumption standard—that is, people do not get what they really want and need, as, for example in housing. The problem is to a large extent one of educating the consumer to know and to choose what he really wants. But there are instances where Government intervention might be of assistance. In housing, the Government might conceivably insist that certain amenities, such as refrigerators, considered essential by some experts, should be incorporated in new dwellings. The public authorities responsible for water supplies might be asked to provide water-softeners where this is considered necessary. Supplies of personal goods, as in the past, must be determined by public taste; but a good deal can be done by education to raise standards of consumption.

The root problem is to ensure that necessities will be on sale at reasonable prices, which must involve progressive cost reductions wherever possible. In their pamphlet, "Economic Reconstruction after the War" (The English Universities Press, Ltd., 4d.), Miss M. Joseph and Mr N. Kaldor suggest that the Government should take over the rôle which competition has filled hardly adequately and fix maximum prices at levels sufficiently low to enable only the most efficient firms to survive. This method, though undoubtedly attractive, is obviously not suitable for application over the whole range of consumers' goods; its usefulness is probably limited to articles whose manufacture can be standardised. Even within this limited range, it is not necessarily the best means of securing efficiency. Messrs. Marks and Spencer and Prices, Tailors, for example, have secured substantial price reductions simply by the economy of organising mass production from the retail end. This does not mean that the Government should stand aside entirely. The power must be reserved, where heedful, to examine the costs of producers and traders as a means of preventing monopolistic practices and of ensuring that the prices charged to consumers for essential goods are socially and economically reasonable. Subject to this power to examine costs, the initiative in securing cost reductions may best be left with private enterprise and prices determined on the market—except where it is plainly desirable that specific goods and services should be provided by the

community to the individual free of charge, or below cost price. During the war, the Government is deliberately subsidising food prices in order to bring rations within reach of all. Some commodities, such as milk, are sold at differential prices to increase the consumption of those who need it most. These social motives will not disappear with conditions of wartime.

The utility principle, in sum, while necessary in wartime and during the period of transition to a peace economy, as a means of making the most economical use of scarce resources, will not be suitable, in its entirety, in peacetime conditions. Even during the war its application has been limited. For particular commodities, the control of specifications and prices may be the most convenient means of providing ample supplies at low prices. But the field of its peacetime application may well be very limited. Standards of quality, where these are not already set by

private enterprise, may well be set more widely. Much can be done by education. Costing will be essential wherever prices are to be kept down to reasonable limits by deliberate action. There is no single formula which is applicable to every commodity and every essential service. Rigid control over designs and prices is hardly compatible with the degree of flexibility that is necessary to progress and expansion. But this object can best be achieved by empirical methods, by applying to each commodity or service the methods which are most likely to ensure both the essentials of life to everybody and a progressive rise in the standard of living above the minimum. Always provided that an adequate supply, in quantity and quality, of the essentials of life is given priority, which is the sole criterion for direct interference, no restrictions should be placed upon the free choice of consumers and the enterprise and initiative of producers.

Coup de Reste

THE White Paper (Cmd. 6430) published on Wednesday by the Government of India on the responsibility of the Congress Party for the recent violent disturbances adds nothing to a solution of the Indian problem. As its preface admits, almost all the facts contained in it are "already within the knowledge of the public." The claim is repeated that the Government is in possession of "a large volume of evidence which it is not desirable to publish at present." It was this evidence that was asked for when the Government of India was pressed to document these frightful and futile happenings. It was widely felt that the time had come to strip the veil of secrecy from both the crimes committed and the punishment meted out.

There is a kind of move in chess which is called a *coup de reste*. It is made when the player wishes to wait for the intentions of his opponent to reveal themselves. This week's White Paper, together with all recent official utterances about the Indian problem, represents such a move. There was no real doubt, even before this statement came to hand, that the Congress Party and its supporters were deliberately involved by their leaders, including Mr Gandhi, in action of a revolutionary character—a fact which serves as a full and adequate reason for the continued imprisonment of the Mahatma and his colleagues, unless they will pledge themselves explicitly to refrain from further incitement. This they have refused to do, and the blame for deadlock rests upon them.

But this by no means exhausts the needs of the situation. The statement that India is a test case may be tiresomely trite, but it is also true. It is a test, not only of British statesmanship, but also of Indian wisdom and capacity and of understanding in other lands. To say that the Cripps mission failed because the main Indian parties refused to agree or co-operate is to state a fact, which has been made still plainer by Professor Coupland's new volume on Indian politics 1936-1942.* The further fact that Congress leaders plunged India into internal strife and external danger last year with their eyes open is reinforced by the White Paper. But these are matters of history, not of policy. The situation in India must get better or worse. What are the prospects?

In India itself, the prospects seem exceedingly poor. As Professor Coupland puts it, the war has greatly strengthened the desire, in Britain as well as in India, that India should be free.

Yet the stronger grows the desire, the darker seem the prospects of its fruition. The relationship between Britain and India has ceased to be the major question. . . . The major question now is the relationship between Indians and Indians. . . . Whether a system or systems of government can be devised under which the different sections and communities of India, provinces and states, Hindus and Moslems and the rest, can agree to live together.

* *Report on the Constitutional Problem in India. Part II.* By R. Coupland. Oxford University Press. 344 pages. 7s. 6d.

Outside India, the question is what aid can be given to a solution; and it is this question to which no answer has been forthcoming since Sir Stafford Cripps failed. Professor Coupland expresses the hope that "the common sense of Indian patriots" may in the end prevail. Many Indian patriots have been hard at work for many months conferring and negotiating about the possible basis of an agreement. Like Sir Stafford Cripps, they have so far failed; and it would be only an obstinate optimist or a doctrinaire who would suggest that, by some sudden magic, the efforts of Mr Rajagopalachari and Sir Tej Sapru to bring Congress and the Moslem League together can be made successful. The communal clash in India is not a British invention. The present Moslem and Hindu leaders refuse to work with or trust each other. Yet something more can probably be done to assist the tide of genuine patriotism that surges inside the main Indian parties as well as in these centre groups. Certainly no efforts in this direction will be wasted. To complete the Indianisation of the Viceroy's Executive Council, and to give to that body the task of drafting a viable constitution for an independent India, and power to co-opt for this purpose every willing Indian from whatever party, would be fresh proof of the abiding desire to find a solution and a renewed appeal to Indian "common sense."

It is indeed ironical that, as Professor Coupland has again made plain, the root cause of these troubles should be the decision and determination of Britain to set India constitutionally free. It is because this decision and this determination can be taken for granted that India's extreme politicians can act intransigently, without fearing that the consequence may be the withdrawal of the offer of freedom. It is as certain as night follows the day that the independence of India will follow this war as the independence of Ireland and the Statute of Westminster followed the last war. The fact that this is realised on both sides of the present controversy should properly be an aid not an obstacle to the progress so far denied. Probably the main cause, on the British side, of the present paradox, is the melancholy fact that, while the movement towards independence has been pressed forward piously ever since 1919, the gap between the temporary British tenants of India and the Indian people, in status and understanding, has not been appreciably narrowed. If it is not narrowed by constructive action on both sides now, the inevitable goal of independence may be attained by way of a bitter and needless rupture, grievously damaging to India, Britain and the world alike. What must be looked for urgently at this belated hour is not further proof from either side of the other's lamentable responsibility for past events, but a pointer and a pathway to peaceful advance. If the leaders either of India or of Britain stand in the way, it is they, and not the settled course of Indian destiny, who must step aside.

NOTES OF THE WEEK

On the Move

The Battle of Tunisia has been joined. It has taken the form of a series of encircling moves by the Allies designed to link up with and support one another. The Eighth Army launched a frontal attack from Medenine towards Mareth. At the same time, a daring and dangerous thrust was made to the rear of the Mareth line aimed at the road junction of El Hamma, to the west of Gabes. General Giraud's forces, advancing from the Tozeur sector, are converging on the same point. Further to the north two American prongs have been thrust out from Gafsa; the northern one has reached Maknassy, from which point the coastal road from Gabes to Sfax—Rommel's only line of retreat—can be cut; and the southern one, moving along the road from Gafsa to Gabes, represents another threat to the more distant rear of the Mareth line. All these moves, if developed and co-ordinated with the necessary speed and punch, may spring an almost perfect trap. The fact that Rommel has made up his mind to fight inside the trap is a remarkable instance of tactical self-confidence and skill. He is trying to make the fullest use of the advantage of interior lines. He has been moving such armoured forces as he possesses from one danger spot to the other with an astonishing degree of flexibility. First, he countered the threat to his immediate rear at El Hamma. Then his "armoured fist" met the frontal attack on the Mareth line. Further to the north, Axis counter-attacks have been attempting to keep the French and the Americans at bay. There is no reason to assume that Rommel will be able to throw the Allied schemes out of gear. His counter-attack on the Mareth line was probably hardly more than an episode in the larger context of the battle; and it seems reasonable to take for granted that General Montgomery has been holding back his main forces for the final assault. Rommel's aim appears to be to prolong the delaying battle in the south as long as possible; and to keep his line of retreat clear. He evidently hopes to inflict severe losses on the Allies before he is forced to withdraw to the north, so that the next stage of the battle in central or in northern Tunisia can be opened only after a lengthy pause for Allied replacement and reinforcement. The next week will probably show whether his game has been more than merely a bold and skilful gamble.

Neighbourlike and Sensible

"We must seek," said the Prime Minister on Sunday, "international arrangements and agreements more neighbourlike and more sensible than before." Mr Churchill stated briefly the aims of such arrangements: to repair the ruin of the world's wealth; to preserve employment and production at a high level; and to secure the interchange of goods and services between men and between nations "under the best conditions and on the largest scale." Nothing definite is known about the progress that has so far been made in these directions. It is plain, however, that discussions are taking place on the central topics of currency and the exchanges; the prices of primary products; and the international guidance of investment. It appears that Lord Keynes has produced a series of interlocking plans covering these crucial questions; and it is difficult to see why these plans should not be thrown open to the test of public scrutiny and debate. A good deal of surmise is proceeding on the basis of rumours, and some of the technical aspects are discussed in a Note on page 399. The rumours suggest that all three plans, for the exchanges, for world prices, and for investment, share the common feature of being designed to achieve the two objectives of optimum expansion and optimum regularity in world economic relationships; to promote by joint machinery and international consultation the maximum flow of goods and capital and the minimum of fluctuations in the volume of commerce and the prices of products. It may be taken as probable that the currency and exchange plan, which was discussed in an article in *The Economist* on March 13th, envisages a system of multilateral clearings by which, with the aid of continuous international consultation, the balances of payments between the nations will be struck at the highest possible level of trade; and that the inten-

tion is to remove the onus which has been placed upon debtor nations in recent decades to cripple domestic activity in order to maintain fixed exchange relationship with other countries. The plan for stabilising the prices of basic materials, according to report, has the same object of securing stability without restriction, by means of international pools and clearing houses. The plan for international investment, too, is said to be contrived to direct the flow of capital from rich to poor or impoverished countries in order to secure the utmost utilisation of world resources and, in consequence, the utmost output and interchange of goods and services.

Clearly, these plans aim at the right targets. Equally clearly, their success will depend, not simply upon their own mechanical ingenuity, but on the willingness of the nations concerned to accept certain political and economic postulates. One prime condition of all international economic collaboration is mutual confidence and assured collective security. The other is the readiness of countries which wish to sell their products or to receive payment on their loans and investments to buy the products of other countries. The problem of combining domestic policies of full employment with the freedom of international exchange upon which such policies must ultimately rest is immensely difficult; and it may be that the plans at present under discussion, which include many more than those of Lord Keynes, may lead to the advancement of "more neighbourlike and more sensible" arrangements than before. But no plans, however good, can be automatic. Even the gold standard, in its heyday, was dependent for its efficient working on mutual respect for certain rules. The new order will require respect for rules no less; and, above all, it will involve the willingness of all the nations, severally and jointly, to relate their home and foreign policies, in economic matters, at every step, so that they do not grasp with one hand what they push away with the other.

Personal

Mr Churchill mentioned only two men of the day in his broadcast. Rightly, he paid tribute to Mr Bevin's great feat of national mobilisation. This was obviously a firm answer to Tory attacks on the trade union connections and alleged bias of the Minister of Labour; and it was timely. Actually, Mr Bevin's critics might do better to consider the implications of Mr Bevin's trade unionism for peacetime politics than to give vent to these doubts and suspicions about its effects on the war effort. The other person singled out was Mr Greenwood, who recently described pounds, shillings and pence as "meaningless symbols." Rightly, again, Mr Churchill pointed out that these "meaningless symbols" represent the legitimate claims of workers and savers upon real resources. While war has shown, and peace will show no less, that the nation's wealth and strength rest in its manpower, plant and materials, it is plainly untrue to say, either in war or in peace, that money does not matter. Money is the instrument by the distribution and use of which real resources can be brought into full employment; and upon its allocation, to individuals and classes, depends the justice and efficiency with which the national product is divided. War has not proved that money does not matter. What it has proved is that to permit financial or monetary considerations to impede the production or distribution of goods and services, national or international, is a crime and a folly.

Putting Milk into Babies

Mr Churchill was as unspecific over the place of agriculture in post-war Britain as he was over the other social and economic measures he listed. He spoke of what Britain has owed to cheap and abundant food, without which it would never have become a great power. "Abundant food," he said, "has brought our 47 million Britons into the world. Here they are, and they must find their living." Then in the next breath he went on to say, "It is absolutely certain

that we shall have to grow a larger proportion of our food at home." In a measure, of course, this is perfectly true. But does this imply renunciation of cheap and abundant food? Or does the Government think that the technical improvements in British agriculture since the war, which Mr Churchill mentioned later, will enable it to be maintained at a lower cost than before the war? It is not reassuring that Mr Churchill gave warning that

if the expansion and improvement of British agriculture is to be maintained, as it must be maintained, and a reasonable level of prices is to be maintained, as it must be maintained, there are likely to be substantial charges which the state must be prepared to shoulder.

Nor is it reassuring that, on the same day as it reported the Prime Minister's broadcast, *The Times* printed an article by its Agricultural Correspondent stating that some farmers would like to stop milk production and concentrate on arable production, because milk prices are not high enough. It seems that the public is to have no say, not only in the amount of food which is to be produced at home—and therefore in the price it must pay for its food—but also in what food is to be produced. Mr Hudson said last Saturday that the public had consumed more milk this winter than in any previous winter, and Mr Churchill said "there is no finer investment for any community than putting milk into babies." Is the rise in milk consumption to be encouraged after the war, or is it to be checked by a persistent increase in prices?

Spring in Russia

In Tunisia the coming of spring has eliminated weather obstacles from the battle-field and given scope to strategy. In Russia, the season is having the opposite effect: strategy is bogged down in deep mud. The great battles of the winter are nearing their end; and it may be that for some time no great drives will alter the outline of the fronts. During the past week, both sides have lost their full powers of manoeuvre. No conclusive results have been achieved by the German attacks in the south. After the capture of Byelorod, the Germans officially declared that their counter-offensive had come to a standstill. The violent attacks at Chuguyev have been repulsed by the Russians; and the eastern banks of the Donetz are still in their possession. It is now doubtful whether the Germans will be able to add Kursk to their other re-conquests, and, equally, it is unlikely that the Russians will be able to go on battering at the Orel salient. West of Moscow, the Russians are about midway between Vyazma and Smolensk. Only at the extreme north at Staraya Russa, is the ground likely to be hard enough to allow for further fighting.

The calendar, which has played so prominent a part in the winter campaign and caused havoc to communications and operational plans, will continue to influence the fighting later in the spring. The unusually early thaw means that this year's summer campaigning will probably start considerably earlier than in the last two years. Normally, the mounting of large-scale offensives in Russia cannot be completed before the end of June. This year it is possible that May will bring the opening of massive operations. Both sides will make the best use they can of the shorter pause. The Germans are already mustering their fresh reserves. They will have to speed up the process to forestall a possible Russian offensive. This means that there will be less time left for training new recruits, and that the quality of the enemy's forces in the east may show a drastic deterioration. On the other hand, the German High Command has reconstituted its strategic reserve behind a shortened front. And the size of that reserve must still be formidable, to judge by the fact that in their recent thrust against Kharkov alone the Germans were able to use not less than twelve panzer divisions. This figure is nearly twice as great as the number of armoured divisions used in the whole Polish campaign and not many less than those deployed in the battle of France. On the Russian side, the High Command has managed to preserve the bulk of its forces—the German counter-offensive failed to achieve any spectacular encirclements. But it should not be forgotten that for the winter offensive the Red Army had to draw mainly on its Siberian manpower; and the list of casualties must have been high on both sides. It is likely that the position of reserves

on both sides is one of precarious equilibrium, which may be upset at a stroke. A similar state of equilibrium may have been reached in the sphere of strategic leadership. The Russians "have learned," as General Dittmar says, "to move big tank formations in the offensive." A successful summer offensive by the Russians has become a distinct possibility. But nobody is able to gauge the degree of exhaustion on either side. A very slight margin of superiority on the one side or the other may suffice to bring about a strategic dénouement in the east this year. It is up to the Allies in the west to tilt the scales.

MacHeath's Dilemma

Even at this late hour, there is still need to stress the extreme urgency of effecting a genuine union among all Frenchmen opposed to the Axis. General de Gaulle has not yet left for Algiers. The movements headed by the two generals are still separate. The incident of French Guiana has increased the confusion and brought into sharper relief the distress of the simple-minded whose sole dislike is pro-Axis domination. Last week, a *coup d'état* in Cayenne displaced the pro-Vichy Governor, M. Weber, who subsequently left the colony. This, at least, may be food for thought for the recalcitrant Admiral Robert in Martinique. The *coup* was followed by contradictory announcements from Algiers and London that French Guiana was determined to adhere now to General Giraud, now to General de Gaulle. The tragedy is that the announcements should, in fact, take a contradictory form. It should be possible to opt for both the generals—now that both are pledged to the republican constitution. Eye-witnesses report from Cayenne that the crowds who thronged the streets acclaimed both leaders. Only one thing was clear to them—that Vichy must be dispossessed. MacHeath's dilemma—How happy could I be with either, were I other dear charmer away—must not be allowed to undermine the solidarity of French patriots. Within the framework of diplomatic assumptions, political differences must take second place; questions of prestige must have no place at all. Agreement in principle is no longer adequate. The generals must meet without delay and

To MEMBERS of the Scottish Widows' Fund

Most of our new-business staff is on war service but the utmost will be done to maintain the Society's life assurance service.

In two ways MEMBERS can do much to help:—

1. Keep correspondence with the Society at a minimum, and
2. Either to us or to your agent, give introductions to likely new members.

REMEMBER, we cannot now send anyone to urge you to increase your own life assurance—just DO IT WITHOUT BEING ASKED.

Write to your agent or to the Secretary.



SCOTTISH WIDOWS' FUND

Head Office:
9, St. Andrew Square, Edinburgh, 2

settle their differences. French Guiana is right; both leaders are patriots. United, they will compel support and respect; in conflict they weaken themselves and the cause of France.

* * *

Heroes' Day

The speech given by Hitler on Heroes' Day was simply a re-hash of the familiar themes of world Bolshevism, international Jewry and decadent plutocracy. The only point of interest was the figure given of German killed so far—542,000. Yet even this is not very interesting, for it is certainly false. The importance of the occasion is the light thrown by the speech on Hitler's own position. First of all, the rumours that he is dead have been effectively scotched. But though he is not dead, the Fuehrer is apparently something of a political corpse. His tired, dispirited voice and evident reluctance suggested that he was paraded before the public against his own will, because the party leaders thought it advisable. Behind him stood the real rulers of Germany—Himmler, head of the Gestapo, and the Chiefs of the Armed Forces—Keitel, Doenitz, Milch and Bock. At the broadcast of the ceremony the commentator said "Hitler now steps on to the dais. Behind him is Reichsmarshal Goering and the Commanders of the three branches of the Wehrmacht." From this it is possible to infer a number of changes in the German High Command. Goering is no longer in charge of the *Luftwaffe*—he is mentioned separately. Field Marshal Milch, who hitherto has been Goering's deputy, must now have taken over command. Doenitz is known to be the new commander of the Navy. Field Marshal Keitel is still in his old job, in charge of the High Command of the Wehrmacht—that is to say, of the War Ministry. Since Keitel is a political general and has never held any big command in the field, it seems to follow that Field Marshal Bock must now be the actual Commander-in-Chief of the Army. He commanded the First Army group in the central sector in Russia and he was the first general to be brought back to command after the winter crisis of 1941. Under him, the commanders of the three army groups in Russia are Kuechler, in the northern sector, Kluge in the central sector and Manstein in the south. Yet, although Bock is apparently Commander-in-Chief, it has been strongly emphasised since Heroes' Day that there has been no change in the High Command of the Army and that Hitler is still Commander-in-Chief. The confusion is only apparent. Hitler may be a puppet; he is also a potent myth. To still the anxiety caused by rumours of his death, he had to be produced, and having suggested at the Heroes' Day meeting that he is no longer Commander-in-Chief, the party has apparently been obliged to return to the earlier fiction and continue to spread the magic of Hitler's name over the operations in Russia. The effective direction lies where it always lay—with the German General Staff.

* * *

The Health Services and the BMA

The publication in the *British Medical Journal* of a statement by the secretary of the British Medical Association on the present consultations between the Ministry of Health and the medical profession confirms suspicions that their aim is, not to discuss how a policy can best be made to work, but to decide what policy will best please the doctors represented at the discussions. The statement included a letter from the Secretary of the Ministry, which declares *inter alia*:—

The Minister appreciates . . . that views expressed on your side must not be taken as committing the profession as a whole, and similarly he does not contemplate announcing in the course of the discussions any final conclusions on the part of the Government. What he desires is a frank expression of the opinions of those best qualified to judge both issues of a technical and professional kind and—what is no less important—as to the probable attitude of the profession towards any proposals that may be put forward.

The letter then goes on to make the extraordinary statement:—

We contemplate that at some stage it will no doubt be convenient to the profession, and indeed to all concerned, if a statement is published indicating in general terms the kind of measures which the Minister would have in mind to submit to Parliament on behalf of the Government.

It is surely fantastic that publication of the proposals for a national health service should be described as, possibly

convenient to the nation. The public has the right to know as soon as the doctors know what form of national health service the Government intends to set up. Nor are the BMA's comments on the letter reassuring. It states that the Minister has given an undertaking that the discussion will not take place on the basis of any preconceived plan but "from the ground," and adds that, before any final decision is reached on the proposals to be put before Parliament, the scheme will be submitted to the various medical bodies represented in the discussions. If these methods had been used before Mr Lloyd George's national health insurance scheme had been drawn up, it would probably never have seen the light of day.

* * *

The Foreign Service

The reforms of the Foreign Service (Cmd 6420) were debated on March 18th and, at the instance of Mr W. J. Brown, put to the House. The result was naturally an overwhelming vote for acceptance. But the tone of the debate, while friendly to the proposals and appreciative of the good intentions behind them, had a critical edge. There was no quarrel at all with the reasons given by Mr Eden for the proposed reforms—that the Foreign Service had got out of touch with modern conditions, recruited its staff too narrowly, and showed a lamentable lack of grasp on economic and social matters. But there was some doubt whether the new methods would give the Service either the new efficiency it needs or the new blood. The fusion of the diplomatic and consular services met no adverse comment. It was the revised conditions of entry that aroused very lively criticism. Many members were apprehensive of the proposed experiment of admitting up to 25 per cent of the candidates on the basis of an interview only. The competitive examination was introduced to counter the danger of nepotism and influence; and, it was argued, it would be a retrograde step to restore any opening for it. University education—or its equivalent—is almost certainly an essential preparation for the diplomatic service. The injustice, if injustice there is, lies, not in laying it down as a condition of entry, but in keeping this kind of training inaccessible to so many who might profit by it. On one other point Mr W. J. Brown's criticism of the proposed reforms also struck home. He quoted the almost grandiloquent preamble to the proposed reforms:

By introducing the reforms hereinafter described it is intended to re-equip the Foreign Service to meet modern conditions and to create a Service which . . . shall be better able not merely to represent the interests of the nation as a whole, but also to deal with the whole range of international affairs, political, social and economic, and so constitute an adequate instrument for the maintenance of good relations.

And he added:

I assert that between the great phrases of the introduction of this document and the concrete proposals contained in the document there is not the slightest relation whatever.

The attack is overstated, but it is shrewd. No speaker, not even Mr Brown himself, dealt with the really fundamental question: Will the reforms fulfil the very large purpose which the White Paper lays down? The foreign interests of a modern nation are so varied and specialised that they cannot be adequately covered by "all-purpose" diplomats, even if some economics and social training have been thrown in. The range of problems and questions an Ambassador has to review are more akin to those of a Prime Minister than of a Foreign Secretary. Washington to-day, with its British Information Service and British Food, Supply, Military, Financial and other missions alongside the Embassy, represents the complexity of the new diplomacy; and the lack of co-ordination there reflects its confusion. This can be mastered by the Foreign Office swallowing up all the separate branches—information, trade, labour relations. Or the relevant Ministries and Departments—including the Foreign Office as a Ministry of Diplomacy—can be grouped together under the Foreign Secretary, who would then be, not merely the head of the Foreign Office, but a genuine Secretary for Foreign Affairs.

* * *

The Distaff Side

Mr Eden's decision to postpone the question of admitting women to the Diplomatic Service until after the

war was hotly contested by Lady Astor and opposed by many of the other Members who spoke in the debate. The reasons advanced for the exclusion of women are familiar by now—their supposed ineptitude for economic and commercial affairs, an ineptitude which, it was argued, would be an even greater obstacle now that the diplomatic and consular services are to be fused; the alleged unsuitability of their mental and emotional make-up; the unwillingness of many countries to receive woman diplomats; the complications introduced by the problem of their marriage, particularly to foreigners. Mr Law and Mr Harold Nicolson between them covered the list, Mr Nicolson adding whimsical excursions into history in support of his view that the interruption of women into diplomacy has always been disastrous. Lady Astor made a number of telling points. She pointed out that the committee of 1934 had divided equally on the question of admitting women to the Diplomatic Service, but six of the eight had suggested that the question should be reconsidered if women continued to gain ground in spheres of employment hitherto closed to them. Now that the general competence of women has been proved a hundredfold by war, surely the time for reconsidering the question is overdue. But apart from Mr Pethick Lawrence's unassailable principle that ability must be used wherever it can be found, the case for admitting women into the Diplomatic Service did not emerge clearly from the debate. Taking the particular criticisms first, it is simply not true that women lack commercial capacity. To give only one example, the principal overseas buyers of many large firms are women. Again, it is not true that women with trained minds are more emotional or instinctively unstable than men with a corresponding education. "Failure of a Mission" is proof of this. Sir Nevile Henderson's feelings about the Nazi bosses were a determining factor in his disastrous conduct of affairs. If Mr Nicolson must rake up history, Catherine the Great, Elizabeth or Maria Theresa overshadow his "Helen of Argos." There remains the problem of marriage—admittedly an important one. Mr Nicolson's bland assumption of immutability for the laws governing the nationality of British women on their marriage to foreigners can be dismissed. The question is broader than this. It is a matter of general principle. Is the need of the British nation to avail itself of the best capacity available to be the overriding consideration, in all branches of the Civil Service, business, industry and trade, as well as the Diplomatic Service. Are women of ability and proved intelligence to be assisted to combine marriage and motherhood with the pursuit of a career? Some women may prefer Mr Nicolson's "perpetual spinsterhood." Are those who do not to be penalised or encouraged? The Government still speaks with two voices—one for the war factories, another for the Departments of State.

* * *

Flowers and Logistics

On Thursday last week Mr Noel-Baker, Parliamentary Secretary to the Ministry of War Transport, informed the House of Commons that the ban on sending flowers by rail, imposed last November, was to be lifted from March 25th. The suspension, made possible by the fact that the railways can handle a bigger volume of traffic in the summer when the hours of daylight are longer, is conditional. No special trains are to be run for the carriage of flowers or plants; they will only be carried subject to the prior claims of perishable goods, other essential traffic, and passengers; there will be no guarantee of transport facilities. As Mr Noel-Baker said, there is no need to impose austerity for the sake of austerity, and there is no waste of transport resources in filling free space with flowers. As far as possible, however, traffic should be arranged so that there is a minimum of free space. The handling of flowers requires manpower, and, in any case, austerity has already been imposed on all but the few by the rise in prices. How essential the conditions imposed on the lifting of this ban may be can be illustrated by actual figures. During a period of six months last year, no fewer than 365 special flower trains were run. By comparison, in moving the North African expeditionary force from billets and depôts to ports, involving 185,000 men, 20,000 vehicles and 220,000 tons of stores, three times as many special trains—440 troop trains and 680 freight trains—had to be run during a period of three weeks—a significant idea of the magnitude of the extra strain that will be imposed upon railway facilities



"They pay a bonus"

When do Defence Bonds pay a bonus?

After 10 years they pay a bonus of £1 for every £100 invested.

What interest do Defence Bonds pay?

3% per annum which is paid half-yearly, January 1st and July 1st. Income Tax, if payable, is not deducted at source.

What are their other points?

They never fluctuate in value. You can cash them at six months' notice, or in case of private emergency, you can apply to the Savings Bank at which your bonds are registered for repayment of the purchase price, subject to a deduction equal to six months' interest.

Yes, they certainly are attractive. How do I buy them?

Defence Bonds cost £5 each. You can buy them outright or in instalments by sticking 6d., 2/6 or 5/- National Savings Stamps in your Savings Stamp Book.

Where can I get them?

From any Bank, Stockbroker, Post Office or Trustee Savings Bank. But no individual may hold or have an interest in more than £1,000 worth.

3% DEFENCE BONDS

this year by the movement of large contingents of troops, and of the ruthlessness with which less essential traffic must be cut at every point, large or small.

The Nurses' Bill

On Wednesday, a second reading was given to the Nurses' Bill, which brings into force one of the recommendations of the Athlone Committee on the Nursing Services. The title of the Bill is a misnomer, for it is concerned, not with the fully qualified registered nurse, but with the "assistant nurse," that is, the nurse who is not a trained nurse or training for admission to the State Register. The Athlone Committee recognised that many of these women, working under trained supervision in hospitals and other institutions, are doing very valuable work. But many of them leave hospital to work in private nursing homes or to join nurses' co-operations from which they are sent out to nurse patients in their homes. The drawbacks of the present situation are, first, that, from the point of view of the public, a person does not know whether he is employing a trained or untrained nurse unless he takes the unlikely course of asking for her qualifications; and, secondly, that from the point of view of the nursing profession, the standard of nursing tends to be lowered, because it often happens that a probationer who has failed her examinations, and then joins a co-operation, is sent by it to her old hospital as an assistant nurse at a much higher salary, with the result that other probationers resign before their training is completed in order to follow her example. The Committee recommended, therefore, that the General Nursing Council, which keeps the State Register of trained nurses, should keep a Roll of Assistant Nurses. This would ensure that they had certain qualifications, and the new Bill enables the Council to make rules regulating admission to the Roll and requiring that applicants should have undergone prescribed training at approved institutions or in the service of the armed forces. The second part of the Bill provides for the licensing of agencies for the supply of nurses, and prohibits them from supplying persons other than registered nurses, enrolled assistant nurses, certified midwives and other prescribed classes such as nurses in mental hospitals. Thus, with the adoption of the Rushcliffe Committee's salary scales for assistant nurses, their position is now being regularised. This should encourage many older women, who have not been able to take up a profession until late in life and would consequently be unwilling to do the full nurses' training, to become assistant nurses, which will strengthen this valuable supplement to the nursing profession. But it does not solve the main problem of finding large numbers of trained nurses.

Help for the Jews

The Archbishop of Canterbury voiced the anxiety of the country when, in the House of Lords, he pointed to the delay in bringing in measures to save the Jews from massacre at the hands of the Germans and asked "Whether it might not be possible to speed things up a little?" He pressed that visas for Palestine be granted more promptly; that arrangements be made with the European neutrals to support refugees on their soil and later to transfer them to British or American territory—in this way "the channel through which the trickle percolates will not be blocked"; he also urged, though not "with the same confidence," that the German Government be approached to release a certain number of Jews to be sent to British and Allied territory. There was general support for the Archbishop's motion, which the Government accepted; but Lord Cranborne did not do much more than assure the Lords that the Government was "pegging away to relieve the situation." He insisted on the immense difficulties involved and the limited resources available. "To suggest there are large surplus food supplies in this country is a most dangerous illusion. The difficulties are no less in the colonial territories." He gave, however, one reassuring figure, that 800 refugees a month are entering Britain. If the Dominions and the United States were to take a proportionate figure, the "trickle" could grow to a reasonable size. Obviously the question cannot be met except on an international basis; but the danger of international discussions is the time taken in sounding opinion, referring back, or consulting all interests. What this country chiefly demands is an assurance that the undoubted difficulties are being used as a spur, not as a deterrent, to action.

War Pensions

It is a little strange that Sir Walter Womersley, Minister of Pensions, whose department is attacked over and over again in the Commons, should be the only Minister who has remained constant in his office since the war began. Probably it means that, in spite of the series of complaints directed at him, he is generally regarded as doing a difficult job very well. It is certainly recognised that he gives every case full and sympathetic consideration; and, even in this week's debate on war pensions, when every Member who spoke attacked the Government's policy, there was no personal attack on him. What is at issue are the principles fixed for the award of pensions, not the administration of them. There are two main complaints: that pensions are not large enough and that they are not granted freely enough. It is certainly anomalous that a totally disabled soldier of this war should receive 2s. 6d. less a week than a similar pensioner of the last war. There is also much force in the argument that family allowances should be given to disabled pensioners who marry and have children after their disability has been contracted. The reply that such a system would be open to abuse, such as death-bed marriages, could be equally applicable to old-age pensions or any form of social service payment. But the Government is on stronger ground in its refusal to grant pensions except where the disability is due to war service or materially aggravated by it. In the last war, as has now been realised, pensions were given too freely, with the result that in a not inconsiderable number of cases invalids for life were created. In others, a liability was assumed by the Ministry of Pensions, which ought not to have fallen upon it. There is every reason why independent appeal tribunals should be established as soon as possible—though the difficulties of staffing them, since it is specialists who are needed, are great—so that each applicant can feel he has had a fair hearing. But the principle on which the Ministry acts in awarding a pension is sound. Probably, fewer disputes would arise if there were proper provision for those who are suffering from some physical illness which is not attributable to war service. In other words, there would be fewer complaints to Sir Walter Womersley if national health insurance payments, treatment and rehabilitation were not so inadequate. The Minister who should really receive the knocks is Mr Ernest Brown.

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 to June....	1,838	1,922	3,760
July.....	411	871	1,282
August.....	403	509	912
September.....	207	238	445
October.....	229	370	599
November.....	24	38	62
December.....	109	201	310
1943:—			
January.....	328	507	835
February.....	252	347	599
Totals to date....	48,440	57,344	105,784

Of those killed in February, 93 were men, 136 were women and 23 were children under 16.

The ballot conducted among members of British Equity on the Sunday opening of theatres has resulted in a vote of 1,031 for and 361 against. The number of members circulated was 2,514 in the profession and 322 in the Forces. The votes of the latter have still to be added, but, out of 103 ballot papers returned by serving members by the end of last week, 88 were in favour of Sunday opening. The total membership of Equity, according to the return submitted to the TUC, is 3,575.

AMERICAN SURVEY

Milwaukee in this War (From Our Washington Correspondent)

ON December 14, 1942, the Navy reported Lieutenant Carl Frederick Zeidler missing in action. He had volunteered for service ten months before in the midst of his first term as Mayor of Milwaukee. Zeidler's enlistment was part of the mobilisation which the people of his city undertook as the United States entered the war. This January, production in local factories was at the rate of \$100 millions a month; 1942 registered a gain of 27.5 per cent over 1941 output, most of which was prime war or sub-contract work, done on an "expedite emergency" basis.

This expansion was tied to a process of conversion. A few new plants were built where absolute necessity demanded, but, in the main, increased production was achieved within the existing structure of widely diversified manufacturing establishments. Automatic machines that used to turn out pens and pencils are whirling out fuses; big steel presses formerly engaged in hammering out transcontinental pipe lines are turning out bomb cases. Refrigerator makers have focused their attention on the production of 105 mm. guns. Shells and shell casings are being turned out in quantities numbering millions by firms whose peacetime products were construction materials. A firm that used to make many different items, from electric motors to farm equipment and huge turbines, is building superchargers for planes. Refuelling trucks for the Air Force, parts for propeller assemblies, cargo ships and motorcycles, are among some of the other items of current production.

These converted facilities are running around the clock; factory lights, blazing through long winter nights in all sections of the city—since a thousand miles lie between Milwaukee and the coast to the east, and two thousand to the west, there is no dim-out—brighten spirits of both workers and observers with a feeling of getting things done. Since there has been no mushrooming of plants, nor any great influx of workers—the city has increased its man-hours largely by drawing on its women—these lights are the most spectacular part of what is otherwise a forceful rather than a dramatic effort. The city has neither show-places of concentrated war work nor cluttering of trailer camps. Housing is about as usual. Hours of stores, factories and schools have been fitted to meet the needs of transportation.

That's the record, in spite of the fact that the 1940 census still rated Milwaukee as the American city with the largest proportion of German stock, with foreign white stock of German origin running as high as 20 per cent of the total population of 587,472. (The 1930 census classified 158,249 residents, or some 27 per cent of the then total population, as of German origin; the decrease is due to the death of older Germans, whose descendants are classified as native-born Americans.) Rated as the third city in the number of persons speaking German (only New York and Chicago outrank it), Milwaukee has 109,580.

In 1939, then, it is understandable why a German agent sought industrial workers in Milwaukee. One Eugene Buerk, a draftsman who was a resident for ten years, but not a citizen, recruited men for work in Germany's industrial plants. It was reported that nearly 300 persons entrained on the specials leaving for Chicago and New York, where they sailed on the *Bremen* for Germany. In New York the Milwaukee contingent joined several thousand other recruits from Chicago, Cleveland, Detroit and Flint. One of them, Walter Drews, returned in February, 1940, to tell of promises not kept. His pictured bubble of "steady work at good wages" in Germany had burst. He said he was told that other Milwaukeeans recruited for work there wanted to get back, but couldn't.

Last Time

Has Milwaukee's character changed since World War I? Recruiting for the Army, Navy and Marines after Pearl

Harbour speak an emphatic "Yes." In 1917, of course, there had been no direct attack on the United States; evidence that not all Milwaukeeans were for the war is contained in the fact that recruiting officers found it necessary to seek aid from the District Attorney's office in suppressing troublesome agitators. In the first two weeks of the last war, these offices enlisted only 304 men in the Army—a number far below their quota—and 139 in the Navy. The draft law was enacted, and young men suddenly decided to marry. Licences were issued at the rate of more than 400 a month, or twice the normal rate. This time, in the four-week period following Pearl Harbour, 860 Milwaukee men enlisted in the Army, 203 in the Navy, 304 in the Marines, and 25 in the Coast Guard.

At the same time, less of the hysteria attendant on the elimination of everything that was even remotely tinged with German is apparent in the present conflict than in World War I. Devotees of German cooking, of which the city retains a tasty share, may enjoy their *apfel plannkuchen*; *sauerbraten* with noodles and *wiener schnitzel*, without fear of upbraiding or pressure for renaming in the manner of 1917, when *sauerkraut* became liberty cabbage with no lessening of its aroma. Changing of proper names was of great importance in 1917. Towns lost their identity in new appellations. Schlesingerville became Slinger, Fredericksdorf was shortened to Frederics, Leuchenberg to Layton. Numerous loyal citizens of German extraction changed their names to lose their identity with the "Fatherland."

Newspaper files show that up to April, 1917, 68.3 per cent of children in the elementary schools were studying German; it was practically compulsory; in high schools, where it was optional, 24 per cent of the students selected German. On April 13th, however, a school principal's association committee voted 9 to 0 to recommend dropping German in the lower four grades; subsequently, it was dropped entirely from the elementary schools. To-day, Latin and Spanish are the favoured languages in high school; German, Italian and French are dying.

This war has brought no need for editorial crusading. Fully reported and talk of the town was the suicide, on June 15, 1942, of George Froboese, Milwaukee leader of the *Volksbund*. He was decapitated by a train at the little way station of Waterloo, Indiana, while on his way to appear before a Federal grand jury in New York. Only about 100 persons attended the German-spoken funeral services, while about 200 of the curious lingered outside. "Justice was done" seemed the general consensus. To-day, local spirit is in accord with the national action. One of the submarines or subchasers being launched on nearby inland lakes and bays may avenge Lieutenant Zeidler.

Planning for Peace

THE terms of reference of the National Resources and Planning Board's report on Social Security were wide. But the scope of its second Report—on Demobilisation and Post-war Problems—is wider still. Beginning with the unexceptionable statement that "We shall not be content this time to give each young man \$60 in cash and a ticket home," the Report deals with the immediate problems of demobilising men and machines. It sketches the basic policies for an expanding economy, including very wide improvements to the physical equipment of the country; and includes sections on security, public health, fiscal policies and administrative problems. The result is not a plan in the same concrete sense as the security report. It is rather a series of

notes and suggestions designed to aid Congress, the Administration and its agencies in the formation of a plan.

Demobilisation

The immediate problem after the end of hostilities will be the return of men, plant and equipment to peacetime uses. The Report points out that this is likely to cover a considerable period if, as seems likely, fighting continues on one front after victory has been achieved elsewhere. The main aim is to make it an orderly process, avoiding the extremes either of deflation or an inflationary boom.

The demobilisation of men from the Forces is already being studied by several committees, one set up under the Selective Service Act, and another, under General Osborn, which is dealing with the problem of interrupted schooling. On this point, therefore, the recommendations are brief. The Board suggests that a dismissal wage or allowance for men leaving the Forces might be considered. It urges that security protection must be provided for men entering reserved occupations as well as those who left them to join up. It is particularly concerned that programmes of vocational education be provided, both in schools and in industry, to equip young men for earning their living again.

Military demobilisation will, in the end, release, perhaps, 11 million men for whom jobs must be provided. Industrial demobilisation will throw many more on to the labour market. Between 20 and 30 million are now employed in war industry. The armistice will not force all these to hunt for new jobs, but over a period of time a substantial number will need some sort of provision. The authors of the Report are attracted by the idea that nationwide extension and liberalisation of the unemployment compensation system might be the most effective means of providing a transition allowance. Public works, the Board states, with unusual reserve, "may also be appropriate."

The demobilisation of plant and equipment, and the liquidation of contracts, will not, of course, be complete. The Board suggests that war plants to be kept in operation or stand-by condition should be selected before the end of hostilities, so that the communities and industries concerned can adjust their plans. Selection of these plants should be guided by the need for better regional distribution of defence manufacturing, particularly from the point of view of vulnerability, and the comparative difficulty of establishing production of civilian products and plants in certain areas.

The problem of conversion back to civilian production is twofold. In some war plants there is no Government investment; others in which there is an urgent public interest have been constructed with Government funds. The Board suggests that Government aid should be extended to the private operator in the form of plant rehabilitation grants; the immediate provision in the Federal tax laws for the establishment of a "Post War Conversion Reserve," and loans at low interest rates.

The Report is greatly impressed with the danger of creating monopolies by the disposal of Government financed plants especially in the basic metals and materials. It argues that these should be distributed among numerous operators to assure competition; but it goes further than this. The Government, it urges, should participate in decisions as to what areas are to be exploited and what concerns are to operate after the war. The Board is convinced of the desirability of new forms of partnership between private enterprise and the Government in industries of national importance like aircraft, shipbuilding, magnesium, aluminium and others, where great investments of public money already exist. These "partnerships" might take the form of mixed corporations, or some degree of Government participation might be assured by the granting of security for loans. Assistance of various kinds to small enterprise is recommended. The authors of the Report are most reluctant to see these basic sectors of the nation's economy and defence returned to uncontrolled private management.

The Report also emphasises the need for Government encouragement of research, to develop new industries and processes and improved products. In addition, the Board proposes increased grants for private research; aid in distributing information on new processes and products; and the maintenance of free access to both new and old processes, "unhampered by the misuse of the patent system." Special provision should be made for public access to inventions fostered by publicly supported or tax-exempt institutions.

The section of the Report dealing with the immediate problems of demobilisation concludes with observations on the relaxation of wartime controls. It is obvious that, for a period after the war, the rationing both of scarce raw materials and of consumers' goods will have to continue. Some price and wage controls will be necessary. These, presumably, will be temporary. The Board would like, however, to see some controls made permanent, particularly those over industries supplying raw materials; those with rapidly diminishing reserves, like the oil industry; those supplying power, fuel, transport, and other public services. In respect to labour, the Board feels that more—rather than fewer—controls will be necessary in the early postwar period, if labour standards are not to collapse under a flood of unemployed.

Post-War Expansion

Up to this point the discussion is limited to the period immediately after the war, although some of the policies have long-term implications. The Report goes on to consider broader problems of public policy. Under a section entitled "Plans for the Development of an Expanding Economy through Co-operation of Government and Private Enterprise" it is suggested that the Government should take measures to encourage "healthy and aggressive private enterprise"; to prevent the abuse of economic power and the waste of national resources; and to eliminate avoidable uncertainties and needless burdens in the laws affecting enterprise. There is no enlargement on these goals. The authors feel on surer and more fertile ground in discussions of positive Governmental action. On fiscal policy they have concrete suggestions to make. The various branches of the Government must work according to a general plan, in order that policies affecting purchasing power, like public works, social security, and the like, of Federal, state and local authorities, should not cancel out. They recommend a sharp reduction of consumption taxes; the retention of a progressive tax structure, and a broadened base, with the major emphasis on income taxes and less on the corporate income tax; adequate programme of public works; expansion of public welfare expenditures, partly to reduce state and local reliance on property and consumption taxes; and international collaboration on policies designed to maintain employment, open outlets for foreign investment, and promote the most effective use of world resources. The fields particularly suitable for private initiative, with or without Government participation, both in financing and management, are, in the opinion of the Board, urban redevelopment; housing; transport and terminal reorganisation; and energy development.

Further sections of the Report deal with measures to secure collective bargaining and labour participation in management, with fair shares for the farmer and with plans for services and security.

The Government should assume the responsibility of assuring jobs at fair wages. Attention is given to the importance of adequate nutrition; and the revolutionary proposal is made that action should be taken by Government to enable people to budget for medical care over a period of time, and to adjust their payments to their ability to pay, at the same time protecting the income of medical personnel.

Although the Board has recommendations to make about decentralisation of administration, on the whole it makes no bones about its belief that the Federal Government must, in the main, provide the lion's share of stimulus, plans, and funds for post-war adjustment, for large-scale development of the nation's resources, and for the assurance of economic democracy and security. It is to be regretted that there has not been, as yet, more informed comment about its specific recommendations. But it should be remembered that for many Americans dependence on Government is still obnoxious. Senator Burton put the issue as many Americans will feel it.

I agree that it is important to do some planning for our internal stability after the war, but I think that the emphasis should be placed on industrial recovery rather than on social security.

So far Mr Roosevelt has carefully refrained from associating himself with the NRPB Reports. Until he does so, they are likely to be shelved. But if, as some observers suggest, he hopes to fight the 1944 elections on a programme of full employment, social insurance, and public works, the struggle will come, not over details of policy, but over this fundamental and as yet undecided question of Government responsibility.

American Notes

American Commentary

The Prime Minister's broadcast made an immensely favourable impression in the United States. Its tone of resolution and confidence was applauded everywhere, but what surprised and, on the whole, delighted American listeners was the coherence and concreteness of British plans both for war and peace. As the leader in the *Herald Tribune* observed:

His was a picture of a future worth fighting for: a future no doubt controversial in many of its aspects, but definite, with some substance and meaning to it within the present powers of prophecy. One cannot help contrasting it with that vague and elusive mist of contradictions which is all as yet that confronts the inquirer after the future policies and purposes of the United States.

The force of what Mr Churchill had to say was the greater because of his earlier reluctance to prophesy or to discuss post war policies; and the *Tribune* was not alone in feeling that here was a friendly challenge to join Britain in the creation of a brave new world. The progressive nature of the Prime Minister's proposals caused particular surprise. Comment varied widely, of course, according to its source. It is symptomatic of the continued divergences in American opinion that, while Senator Ball's doubt about the advisability of too much stress on "regionalism" before a world organisation is established appeared to be shared by many, the *World Telegram*, though welcoming the regional principle, objected to the thought that the United States might be expected to join a European Council, "with its political problems and military commitments." The "Pacific School," as was to be expected, took issue with the course of the war as described by Mr Churchill, and its interpretation of what he said does less than justice to Mr Churchill's intention. The *Scripps Howard* press, according to reports, for example, argued that his main aims were the defeat of Hitler and the immediate commencement of a four-year construction plan in Britain. Criticism from this source, however, is largely a matter of routine. To the vast majority of Americans the broadcast served as a timely reminder of British daring and determination in matters of post-war policy at home and abroad.

The Times on Russia

The recent leading article in *The Times* on Anglo-Soviet relations has provoked much speculation in the United States, dismay in some quarters, and comment everywhere. Some exception has been taken to the proposal for joint Anglo-Russian guardianship of European security and what is interpreted as a demand for advance approval of Russian frontier demands; and a disclaimer from Mr Eden was necessary to allay the fear that Britain was relying on a post-war Anglo-Soviet bloc rather than on a concert of the United Nations. The *New York Times* in a highly critical editorial said:

American opinion will not look favourably on any proposal to put the small nations of Europe on the auction block in order to purchase Russian confidence and co-operation. . . . If there is one method to drive America back into isolation, it is to question the fundamental basis for international co-operation among the United Nations laid down in the Atlantic Charter.

The article goes on to argue that "appeasement of Russia" is no more likely to succeed than appeasement of Hitler; that it would discourage resistance in the occupied countries; and conveys the warning that appeasement at the surrender of principle would also "arouse like appetites in possibly unexpected places." The identification of British policy with Russian security aims is fairly widespread. The *Washington Post* comments:

It is not news that influential British opinion wishes to see Britain become Russia's second in seeking America's recognition of Russia's security programme. . . . The blue-print in the minds of our British and Russian friends will not make much appeal to the American people. He would make a great mistake who imagined that we would have a part in a return to the old alliance or quasi-alliance system for maintaining peace.

There has also been some feeling that it should not be necessary for Britain to act as a bridge between Russia and the United States. But encouragement can be drawn from a growing understanding in some quarters that the Russian programme is in part a result of uncertainty over American

intentions toward the maintenance of security. The *Herald Tribune* in an able editorial pointed out that so far

there is no official act committing the United States to any form of collective security which might tempt Russia to forgo the search for boundaries that would offer individual security. . . . In advance of a really convincing demonstration that this country accepts the fact that she is part of the world and intends to act on this idea in peace, it is hardly likely that Russia will make commitments on matters she considers vital to her security.

The realisation that to other countries the great uncertainty is the line that American policy will take is not yet general, but it is growing.

Wages Formula

The War Labour Board has rejected the petition of the American Federation of Labour to scrap the "little steel" formula for wage increases. This formula limited increases to 15 per cent of the wage-rates paid in January, 1941, on the ground that such an increase would compensate for the rise in the cost of living. It should be noted, however, that the four labour members of the Board voted against the formula; it is the employers and public members who have maintained it for the time being. It is also significant that the petition came from the American Federation of Labour, which has previously been the formula's most loyal supporter. Mr John L. Lewis has for months been denouncing the formula as "miserably stupid" and designed to starve labour while fattening profits. The Congress of Industrial Organisations has registered its opposition in more restrained terms, arguing that, by fixing increases on a percentage basis, it makes hardship for the lower-paid groups, and maintaining that the rise in the cost of living has already reached 20 per cent above the level of January, 1941. The CIO would like to see the War Labour Board take more advantage of the provisions for flexibility embodied in the Price Stabilisation Act. It is these "escape clauses" for eliminating inequalities and sub-standard wages that the Board will have to invoke—admittedly with some straining of their meaning—if a compromise on wages in the soft coal industry is to be kept even nominally within the letter of the present regulations. Mr Lewis' miners have already had more than the allotted 15 per cent rises, and Mr Lewis has declared bluntly that they will refuse to be bound by the formula. His demands include a \$2 a day basic increase, on the present \$7 a day rate. The intervention of the President, on the request of the mine owners, has averted the likelihood of strike action on April 1st, but only by forcing from the owners the concession they previously were unwilling to make, namely that any wage increase granted by an arbitration tribunal will be retroactive to April 1st. If Mr Lewis, by the use of the big stick, is able to secure further gains for his miners, it is obvious that the dissatisfaction of the more co-operative labour leaders will have to be replaced by something stronger if they are not to see their leadership undermined. The way will then be open to inflation, not by leaps and bounds, but inch by inch, and the demand for anti-union legislation will be strengthened.

Shorter Notes

In some comments on the NRPB social security report it is suggested that it should be financed by a 10 per cent payroll tax. This figure was at one time mentioned by Madam Perkins, the Secretary of Labour; it is not clear whether it was advanced by the Board in its full Report, which is not yet available in this country. This would constitute a substantial difference from the flat-rate contribution proposed in the Beveridge plan.

Anti-fourth term resolutions are being introduced into a number of state legislatures and have already been passed in four. In Illinois a resolution has been adopted petitioning Congress to call a convention to propose an amendment to the Constitution limiting Presidents of the United States to two terms. Other states which have adopted or are introducing similar resolutions are Iowa, Michigan, Missouri, and Wisconsin.

THE WORLD OVERSEAS

Polish Agriculture

(By a Correspondent)

POLISH agriculture is at present dominated by the fact that for three and a half years the country has been divided into three parts. In each of them, the war has had a different effect. Western Poland, the Warthegau, has been incorporated in the Reich since 1939. It used to produce the bulk of Poland's agricultural surplus. The agriculture of central Poland, the General Government, was less productive. The pre-war yield per hectare of nearly all crops was lower there than in western Poland. For wheat, it was 12 quintals, compared with more than 16.5 quintals in western Poland, and for rye, barley, oats and sugar beet the figures were 11.5 against 14.7; 10.9 against 16.7; 12.4 against 15.2; and 201 against 221. Only in the case of potatoes was the yield per hectare higher in central than in western Poland. The incorporation of the western provinces in the Reich was, therefore, carried out for economic as well as political motives. Poznan and Pomerania were the first foreign granaries conquered by German arms.

The agriculture of eastern Poland has undergone many changes. It was subjected to the Soviet land reform of 1939, when its big estates were shared out among the peasants. Later on, the experiment of collectivisation was started by the Soviets, though it was not pushed very far. The Soviet reforms were only partly undone under the German occupation.

In each of the three parts, the Germans pursue a different policy. Their main preoccupation in the Warthegau has been to strengthen the German elements there, and to squeeze out the Poles. A policy of German settlement was started immediately after the conquest, which up to 1942 was carried out fairly intensively. During 1942, however, the pace of colonisation slackened abruptly. Apparently, the shortages of manpower began to tell in this sphere too; candidates for settlement were probably not available. The colonisation has resulted in the transfer of some 38 per cent of land property in the incorporated provinces to German newcomers. About 50 per cent of the cultivated land has still been left in Polish hands, though a considerable proportion of Polish property is under German "trusteeship." From a purely economic point of view, however, agriculture has suffered in western Poland less than in the other provinces. For the very reason that the Third Reich has regarded Poznan and Pomerania as German lands, more care has been taken to preserve the agricultural wealth of the province. Deterioration in productivity here has probably not exceeded the similar deterioration in the agriculture of Germany itself. The acreage under cultivation and the yield of grain per hectare have not fallen substantially below the pre-war level; and they have probably been maintained at that level by the big estates. The aim has been to keep the output of rye—the staple grain of the country—stationary and to expand root crops and oleaginous plants at the expense of fodder, and especially of barley. The area under oil plants has, according to German sources, been increased by 30,000 hectares, and that under root crops by 50,000 hectares. The decrease in cattle population has been comparatively moderate; it is estimated at 10 per cent for horses and at 15 per cent for horned cattle.

Losses in the East

The devastation of agriculture in eastern Poland contrasts sharply with the conditions in the Warthegau. The area now under cultivation is not likely to be more than three-quarters of the pre-war acreage; and the average yield of grains per hectare has dropped by about one-third. The losses in the cattle population have been enormous. About 60 per cent of the horses and 50 per cent of horned cattle and pigs should be written off. This devastation has been due not so much to the "normal" shortages of fodder as to the requisitioning of animals for war transport. Eastern Poland has been much nearer the front, and this has severely affected its agriculture. The land reforms carried out under

the Soviet rule have not been undone root and branch. The restoration of property to previous owners has been made conditional on their political "loyalty," and on the delivering of full quotas of foodstuffs. German colonisation has not been attempted here; the political problem is the relations between Ukrainians and Poles. During the inter-war period, the Poles sought to increase their numerical strength in the east by colonisation of the countryside. Most of these Polish settlers were deported into the interior of Russia in 1939-41 during the period of Soviet rule; thus the strength of the Polish element has been weakened on the eastern borderlands.

The General Government holds, geographically and economically, an intermediate position between the incorporated provinces in the west and the eastern lands. Its agriculture has not been affected by the economic *Drang nach Osten*. Such expropriations as have taken place have been carried out for strategic reasons. They have taken place quite recently in the defence belt on the Bug, where 50,000-60,000 peasant families have been cleared out of scores of villages. The deterioration in agriculture has not been so grave as in eastern Poland, but much more so than in the Warthegau. The area under wheat, barley and oats has been reduced by about 30 per cent. The acreage under rye has remained stationary, but the yield per acre has fallen by about 20 per cent. The losses in cattle have been very high; in 1941, about one-third of the horse stock was diverted to war transport.

The average losses of Polish agriculture as a whole are summarised in the following table computed by Polish agriculturists:—

	Percentage decreases on pre-war figures
Area under grain (excluding rye).....	30
Yield of cereals per acre	20
Pig population	30
Horned cattle	35
Horses	40
Sheep	30

Although the losses are grave enough, they are not so grave as to prevent a relatively quick recovery of Polish agriculture after the war. Only the decrease in the number of horses and horned cattle is bound to have more lasting effects. But these average figures tell only part of the story. It should also be pointed out that the losses are by no means evenly distributed geographically or socially. The big estate in western and central Poland has suffered far less than the small peasant holding, partly because the invader's policy has favoured the big estate as being more convenient for controlling deliveries, but partly, too, because of the greater power of resistance of the big estate. The small holding has more frequently than not lost most of its cattle through requisitioning, whereas the big estate has rarely been deprived of more than a small part of its stock. The proportionately heavier loss of cattle has deprived the small holding of manure, almost the only kind of fertiliser used by the Polish peasant. The big estate has only rarely suffered from a shortage of manure, and it has also had chemical fertilisers allocated to it. The quotas of deliveries have been fixed per acre, so that the small holdings have been left with hardly any marketable surpluses. The big landowner has remained the main beneficiary of the fantastically high prices on the free and black markets. It is, therefore, the destruction of the small peasant economy which will present the most difficult problem for post-war Poland. It should not be forgotten that before the war more than 64 per cent of Polish rural holdings were primitive dwarf holdings under 5 hectares, 25 per cent of which were under 2 hectares, while 89 per cent were under 10 hectares.

The problem has been complicated by a new factor for which there has been no analogy in any other of the occupied countries. In one half of Poland, the one that

has experienced Soviet occupation, the big estate has been broken up and destroyed. In the rest of Poland, it has survived. On the assumption that Poland regains its eastern provinces, a radical agricultural adjustment is inevitable. Any attempt to unscramble the land reforms carried out by the Soviets, and to restore the big estates, would be fraught with civil war. But to leave two such different agricultural structures within the framework of one state would hardly be feasible. The big estate is not likely to gain a new lease of life; on the other hand, the small holdings will hardly be able to recover from the ravages of the war—which was preceded by a not less devastating and protracted agricultural slump—unless the peasant economy is at last reorganised on a modern co-operative basis. This would in its turn involve large imports of agricultural machinery.

Labour Troubles in Bolivia

[FROM A CORRESPONDENT IN LA PAZ]

January 15th

IN recent months, there were a series of labour conflicts in Bolivia which have seriously affected its tin output. The first occurred in the Potosi mines of the Compañía Minera Unificada del Cerro Potosi. The miners demanded the abolition of the company's stores, which were supposed to put at their disposal certain necessities at below cost price—which meant that their wages were also kept on a relatively low level. The abolition of compulsory purchases in these stores ought, it was maintained, to have been accompanied by a wage increase, amply justified in the miners' view by the recent rise in tin prices. But the Arbitration Committee appointed by the Government delayed the award for four months and finally endorsed the company's standpoint. A strike was only averted by the promulgation of the Busch Labour Code and by the efforts of the Labour leaders in Potosi.

About the same time, the miners of the Patiño group in the Catavi area asked for a large increase in wages. An agreement on a basis of a 30 per cent increase seemed imminent but for the intervention of a leading mine-owner, who was reported to have alleged that the obligations of the new Labour Code, together with wage increases, would impose too heavy a burden on the already overtaxed mining industry. He also argued that it would create a precedent for his own group. Their petition being refused, the Catavi miners scheduled a strike for December 14th. Meanwhile, Colonel Cuenca, military commander of the Oruro area, took matters in hand. On December 13th, a conference which he called for negotiations with the miners' leaders ended with the arrest of the latter. The miners attempted to release their leaders, and in the subsequent clash one miner was killed and several wounded. As a result, some 10,000 miners went on strike, involving about 50 per cent of Bolivia's tin output. The Government, for its part, decreed martial law in the mining districts of La Paz, Oruro, Potosi, Cochabamba and Chuquisaca.

Mediation Refused

The Bolivian Labour headquarters immediately offered its mediation, which was refused by the Government. Instead, the residences of its leaders—most of them members of the PIR, the party of the Left—were searched, and, in one of them, a document was found which, in the Government's view, proved beyond doubt that the strike was being fostered by the PIR to promote "the social revolution." Nearly all the leaders of the Bolivian working class have been put under arrest under a charge of subversion. Meanwhile, another clash occurred between the military and the workers in Catavi, in which more miners were killed.

What seems to have occurred was this. At the recent conference of the PIR, a draft was submitted suggesting what should be the tactics of the party if its candidate for the presidential elections of 1944 were elected and then deprived of his success by an electoral fraud. The author of the draft, with a lack of political maturity characteristic of Bolivia, proposed that, in this event, strikes should be fostered all over Bolivia in order to provoke a revolutionary crisis. The proposal was not even considered.

The fact that the Minister of the Interior published only

part of this document, creating the impression that it referred to the strike at Catavi, and that he accused the PIR of having accepted the proposal as its official programme—a statement which had to be modified later—had a painful effect. It was felt that Bolivian Labour, whose contribution to the Allied war effort was so important, had not been given a fair chance to defend itself against, to say the least, questionable charges. This impression was strengthened by the fact that the daily, *La Calle*, generally regarded as sympathetic to the Axis, joined the campaign against the PIR, accusing it of being controlled "by a foreigner, Lombardo Toledano, agent of Yankee imperialism and defender of the Jews." (Toledano recently visited Bolivia and was sharply attacked by *La Calle* because he called on Bolivian Labour to give wholehearted support to the Allied war effort and on Bolivia to enter the war.)

Anti-Labour Bias

It was felt that there is a strong anti-Labour bias in certain Government circles, and that it could only be in the interests of German sympathisers to foster the belief that Bolivian Labour was, at this crucial period of the war, engaged in "subversive activities," whereas, in fact, the Bolivian Labour Centre adopted the following resolution on the occasion of the continental labour demonstration against the massacre of the Jews: "Our statutes, declaration of principles and Congress resolutions bear witness that the organised workers of Bolivia are mortal enemies of Nazi Fascism, Falangism and their Fifth Column."

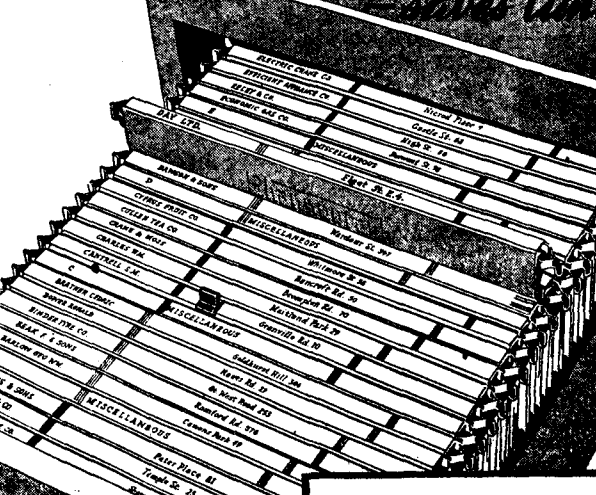
According to press reports, the strike came to an end on December 24th, but as a result of the reprisals an exodus of miners from the Catavi area began, while about 40 labour leaders are still confined. The Unified Socialists, one of the biggest parties of the Chamber of Deputies, protested to the Minister of the Interior against the killing of the Catavi miners, but the Minister only made an unconvincing reply.

In the meantime, it has been estimated that the tin output in 1942 is at least 10 per cent, if not 15 per cent, below that of 1941.

SHANNOGRAPH

Full Vision FLAT-TOP SUSPENSION FILING

*Increases output
Saves time*



Install Shannograph for accurate filing, 20%-30% faster. Folders hang, cannot slip or ride. Flat-top, full vision indexing permits instant location, infinite variety of indexing and fixed or movable signalling on the Visible Edge for Works Progress, Contract Progress, etc. Frames fit any standard filing cabinet or deep desk drawer.

To comply with Paper Control Order 48 please send 1d. postage stamp for leaflet.

Shannon

IMPERIAL HOUSE (Dept. C.6),
15-19, KINGSWAY, LONDON,
W.C.2.

And at Birmingham, Bristol,
Liverpool, Manchester, New-
castle, Glasgow (Agent)

Banking in Eire

[FROM OUR DUBLIN CORRESPONDENT]

February 27th

THE results of the Irish banks' operations in 1942 show that profits have risen by £70,105 to £1,102,131. This is a welcome contrast to the decline of profits in the earlier years of the war. The explanation of this increase is to be found in the expansion of the banks' resources. Deposits rose by £24,487,221 to a record total of £240,543,621. In contrast to the experience of English banks, advances and bills discounted did not decline. While the advances of several banks fell, the advances of others rose, with the result that total advances were up by £403,871 to £81,795,747. The Irish banks did not expand the type of low-yielding assets that have figured so prominently in the balance-sheets of the British banks during the war. They do not hold any Treasury bills, and, with the exception of one bank, do not hold TDRs. The bulk of their additional assets take the form of investments which yield a reasonable return. The rise in profits was, no doubt, partly the result of the increased charges for keeping accounts.

The banking statistics reflect the consequences of the war on Irish economic life. The expansion of deposits has been most marked among small depositors, mainly of the farming classes, and there has been an increase in the number of accounts, showing that the banking habit is growing. The stability of the amount of advances indicates that farmers are not demanding accommodation, owing to the shortage of supplies of fertilisers and other working capital. The chairman of one of the banks has complained of the unfair competition for agricultural advances by the Agricultural Credit Corporation, which receives a Government subsidy. This corporation has reduced its rate on loans, old and new, to 4½ per cent, and has arranged for the conversion of its more onerous debentures. The chairman of the corporation has complained of a shortage of demand for loans even on the more favourable terms now offered. The plethora of conditions in the Irish banking system suggest that the present time is particularly favourable for public borrowing for the programme of Government expenditure which will become necessary after the war.

The annual meetings of the banks have all been held, and the chairmen have made their speeches to shareholders on the usual conventional lines. It is surprising that the opportunity provided by these meetings is not utilised to reply to some of the criticism of the banks which is persistently made in certain quarters. The example of the English banks in this matter might well be followed. Some account, on the lines of Mr McKenna's speech this year to the shareholders of the Midland Bank, of the services which the banks actually contribute to the smooth working of the everyday economic life of the community would help.

The Central Bank began business on February 1st. The opening of this institution, which takes the place of the Currency Commission, will not immediately affect the working of the Irish banking system. Bankers are required to make a moderate deposit with the Minister for Finance, and to take out a licence to carry on business. Facilities are provided for rediscounting bills, which, however, are not likely to be widely utilised. There are certain contingent powers in the Central Bank which, if used without discretion, might prove embarrassing to the banks. The Central Bank can, if the Board is of opinion that the assets within Eire of a bank are insufficient, require the bank to deposit a sum free of interest. It can also take control of external clearings. The possession of these powers puts the Central Bank in a position to interfere considerably with the conduct of the banks' business, but it is improbable that they will be used except with the utmost discretion.

THE FOUNDATION OF ECONOMIC RECONSTRUCTION

Professor John Macmurray 4d. post free

ALLIED PEACE AIMS 7d.

BRITAIN'S PEACE AIMS 10d. post free

AMERICA'S PEACE AIMS 10d.

Full list of publications available.

NATIONAL PEACE COUNCIL,

(Ref. Ec) 144 Southampton Row, London, W.C.1.

Transport in India

[BY A CORRESPONDENT]

THE construction of 20,000 tons of additional coastal craft was recommended last year by a committee investigating the possibility of developing waterborne transport off the west coast of India. This is a reminder of the strain felt by India's transport system and particularly by the Indian railways. Whereas "native" craft are transporting 1½ million tons of cargo per season along the west coast between Karachi and Cochin and the recommendation aims at the diversion of another 681,000 tons from the railways, the whole Indian railway system last year carried nearly 93 million tons of goods.

As regards inland transport, India has a very low mileage of roads—one of the lowest in relation to the size of its population. The total mileage of extra-municipal roads is round 290,000. Of this, only 186,000 miles are motorable roads, and of this total again only 83,600 are motorable all the year round. "Motorable" is a very relative term, and the position is perhaps better indicated by the statement that about one-quarter of the road mileage is metalled. The distribution of roads in India varies greatly. The province with the greatest road mileage is Bengal, with 91,000, of which only some 3,900 have a modern surface or macadam. Madras, out of a total mileage of 35,700, has 21,440 modern roads, while Bombay, out of a total of 19,570, has 11,130 with modern surface or macadam. Two of the few outstanding main trunk roads of India are from Calcutta to the mouth of the Khyber Pass and from Bombay to Delhi.

In the road building of the nineteenth century, the first consideration was strategic necessity and next the convenience of the civil authorities in connecting headquarters with the sub-divisional headquarters and the latter with the district headquarters. About half the mileage of railways in British India has a metalled road parallel with it, and some 25 per cent of the metalled road system is parallel with the railways. Emphasis on the desirability of feeder roads to the railroad came much later in the day, and was brought more to the fore by the development of motor transport. That new main road, as distinct from feeder road, construction ought not to be developed to such lengths as to raise serious competition with the State-owned railways was never far from the minds of the authorities when motor transport grew. In great areas of India, there is no local material suitable for building first-class roads, so that it is often about as expensive to build and maintain such a road as to construct a railway—the latter giving more promise of a direct financial return on the outlay. Obviously, productive road propositions were hard to come by, and it was a misfortune that when the possibilities of more roads for rapidly developing road transport were seriously considered, the period should have coincided with the depression period. The Provincial Governments were thus unable to undertake road-building programmes on any scale. The administration of roads has been principally in the hands of Provincial Governments, delegating downwards to municipalities and district local boards. To aid road development, the revenue from the petrol tax, collected by the Central Government, is put into a special account, which is allocated to the Provinces and States in a ratio based on their petrol consumption. At the end of March, 1940, the balance in the fund available for allocation was just under £9 millions, of which the gross receipts for the previous twelve months were but £1,312,500. It is estimated that at least £30 millions would be required to provide India with an adequate system of roads.

Mobilising the Bullock

The Indian cultivators' standard transporter—the bullock cart, of which there are estimated to be some 10 millions—is being pressed into service for the war effort. At the September meeting of the Transport Advisory Council, it was said that there was some reserve of bullock carts available for transport, not only in slack seasons but throughout the year. The Council considered that the best way of utilising bullock power would be to create local demands by closing railway stations for booking. The Provincial Governments are sending in lists of stations which can be appropriately closed to achieve this purpose.

Before the war, there were some 50,000 motor buses and lorries in India, but, during the war, the military authorities

March 27, 1943

THE ECONOMIST

397

have increased supplies of motor transport considerably. Ordinary motor transport in India (there were about 100,000 cars and taxis licensed) has been severely curtailed by petrol rationing. Early in 1942, the Government of India announced that they would arrange priority for the import of the necessary plant from the United States to turn molasses from the Indian sugar factories into power alcohol; there were only two or three such plants in India, but India's sugar crop is very large. The use of producer gas from charcoal is also being encouraged. At the Transport Advisory Council meeting last September, it was announced that 6,000 vehicles had been converted to producer gas, and quotas of steel had been obtained for the conversion of another 12,000 vehicles in the succeeding six months.

As a substitute for mineral lubricating oils, castor oil is proving useful. Its qualities as a lubricant have enabled it to stand comparison with mineral oil lubricants—even in such peculiar conditions of strain as racing cars and aeroplane engines. The oil is stated to lack stability over a long period unless suitably treated, but some time ago the Indian Industrial Research Bureau reported that investigations have resulted in the discovery of several chemicals which are effective stabilisers when used in vegetable oils, including castor, ground-nut and cotton-seed oil.

The Indian railways, in view of the limitations on other forms of transport, have had to bear the full strain of the country's extra transport requirements under war conditions. To start with, the railways handed over, for military purposes, 200 locomotives and 10,000 other vehicles. Some of these transfers have been used outside India. Recently, the opening was reported of a new railway linking Iran with India which will speed up supplies to Russia. It was built at the rate of a mile a day by Indian personnel, and the rails and rolling stock all came from India.

Railway statistics show that in 1941-42, compared with the last pre-war year, there was a rise of 30 per cent in ton miles of goods carried and of over 16 per cent in passenger miles; this meant an increase of 3,000 million passenger miles and 6,500 million ton miles. The operating efficiency of the railways has increased by as much as 25 per cent, and compares well with the best American practice. This is all the more remarkable seeing that, from almost a decade prior to the war, the State railways could not make ends meet financially, so that presumably renewals were cut down and existing locomotives more intensively utilised. Locomotive manufacture in India itself only became a live issue just before the war, for it was not a paying proposition with the current rate of demand to establish a domestic industry. Now the plans for limited construction in existing railway workshops are not fructifying as quickly as expected owing to the difficulties of obtaining certain essential import requirements.

Letter to the Editor

French Seamen

TO THE EDITOR OF THE ECONOMIST.

SIR,—In the issue dated March 20th of *The Economist*, p. 351, it is stated that "a number of French seamen were detained by the Fighting French authorities at Dundee because they wished to transfer to General Giraud."

After careful enquiry with the authorities of the Free French Navy, I am in a position to state most definitely that no French sailor is or has ever been detained in Dundee or elsewhere for the reason mentioned, nor for any political reason whatsoever.

We feel that such a statement, if it is spread and believed, may not be helpful to secure the unity of all Frenchmen, which is the goal our Allies and ourselves are trying to attain.

Yours sincerely,
J. SOUSTELLE.Comité National,
Commissariat National à l'Information.

[The statement referred to in this letter was based upon what *The Economist* regarded as reliable and trustworthy information. There has never been any wish on the part of this paper to embarrass Fighting France by retailing mere rumour.—EDITOR.]

Gas helps
to make it

The Gas Industry is helping to build, equip and arm our tanks. Not only does gas itself fire the furnaces to treat the metals for their construction, but the by-products of gas-making provide their ammunition and the many plastic fittings with which they are equipped.

Gas-making releases a wealth of chemical by-products—coke, tar, benzole, ammonia and sulphur—which play an important part in the war effort. Gas helps to win the Battle for Fuel by providing half a ton of coke from every ton of coal used at the gas works. From tar, ammonia, sulphur and benzole, thousands of valuable substances are obtained—explosives, fertilisers, creosote, life-saving drugs, anaesthetics, acids for electric batteries, dyes, metal-replacing plastics and motor spirit.

But although more gas and by-products are needed for war industries, gas-making plant is not elastic; there is a limit to the amount of gas that can be made in a given time. You can help by SAVING MORE GAS. Even the smallest economy helps.



HOW TO SAVE GAS. Ask for helpful pamphlets at your Gas Showrooms or from British Commercial Gas Association, 1 Grosvenor Place, London, S.W.1.

THE BUSINESS WORLD

A Future for Cotton

THE extensive demand which is to be expected as a result of replacement needs immediately after the war will involve important decisions of policy on the re-expansion of concentrated industries. The transition from a concentrated state to one of free production will in no case be easy. But in those industries which in pre-war days were suffering from long-term depression, the need is for a comprehensive long-term policy on which it will be particularly difficult to find agreement. In the case of one industry—namely, building—these difficulties will be largely solved by the preparation of a long-term construction programme. But where there can be little hope of utilising the full productive capacity of an industry there is no such easy solution.

The cotton industry is an outstanding example. Is it going to be the policy of the Government to put back into commission all the mills closed as a result of the concentration scheme? Admittedly, this concentration was carried out in a somewhat arbitrary manner; yet it is virtually impossible to run all the mills in Lancashire on an economical basis, if only because of the shortage of labour. And if this is so, is the Government to encourage the recruitment of new labour?

The recruitment of labour, indeed, presents itself to the cotton industry as an immediate and crucial aspect of the post-war situation. It was to discuss this problem that the Cotton Board organised the meeting of representatives from all sections of the trade which was held in Manchester on Wednesday. Mr R. A. Butler and Mr George Tomlinson represented the Government and expressed their support for the setting up of a committee "to formulate, supervise and execute a planned programme to promote organised recruitment, selection and training for the industry." Proposals concerning technical education, closer cooperation between schools and industry, the improvement of welfare arrangements and others were discussed and found general agreement.

It may seem strange that an acute shortage of labour is experienced now and expected in the future. For fifteen years before the war, the industry suffered from heavy, almost unrelieved, depression. Unemployment in places such as Oldham exceeded 20 per cent for many years, and if short-time working—which is the customary method of spreading employment in Lancashire—is included, there are few trades which can parallel the unenviable record of unemployment in cotton.

Yet at the present time, despite the application of the Essential Work Order to the industry and the concentration of the productive plants, a nucleus mill is fortunate if it succeeds in obtaining 75 per cent of its labour requirements; and the position in the manufacturing sections is, if anything, worse. Many operatives moved into munitions before the Essential Work Order came into force, and many others joined the Forces, but this would not of itself have caused the present shortage. More important has been the migration of labour from cotton to other industries, and from the cotton districts of Lancashire to other parts of the country, which has proceeded on a very large scale, particularly since 1930.

Even more important has been the heavy reduction in the inflow of new recruits to replace those who, from age and other causes, have left the industry. As the President of the Board of Education pointed out, even between 1921 and 1931, juvenile entrants to the cotton industry fell by 54 per cent, and this left the average age of the workers in the manufacturing section at 48 shortly before the war. Technical schools have been empty and parents have been generally averse from allowing their children to enter the trade.

It is because of these factors that the shortage of labour is expected to continue while replacement demand, at any rate, is maintained at a high level. The number of spindles in Lancashire fell from 59.3 millions in 1914 to 35.8 millions in 1940, and is slightly lower to-day. But the

available labour supply has fallen more than in proportion, so that it is expected that after the war only about 70 per cent of the available productive capacity could be used.

Even to reach this total, it is necessary that the workers who have left the industry since the start of the war should return. It is here that the proposals made on Wednesday are important. There will be a considerable disinclination on the part of cotton operatives who have experienced the working conditions of other industries to return to cotton, and it is only if the working and social amenities of the industry are greatly improved that the trade can hope to attract anything like all of them back. But the more fundamental question of the recruitment of new labour remains. Improvements in technical training and working conditions, however thorough, can hardly be sufficient to alter the opinion of parents who have lived through the vicissitudes of the cotton industry in the last 20 years.

The one question asked, and the one question which has as yet received no satisfactory answer, is whether the cotton industry offers prospects of steady employment over a long period. The outlook here, unfortunately, cannot be said to be very encouraging. On the side of technique, the adaptation of ring spinning to the finer counts lowers still further the relative advantage of the skilled Lancashire worker, needing as it does less highly trained operatives. The actual fabric of the mills, too, is becoming out of date. A "new" mill in Lancashire is one built in 1906-7 and the majority were constructed in the nineteenth century. This is in marked contrast to the plants of overseas countries, whose capacity, incidentally, is being further extended during the war. It is all-important that Lancashire should not repeat the folly of a price boom and widespread recapitalisation after this war. The finances of operating mills are notably sound at present after the extensive capital reorganisations of the last few years. But the need for large capital expenditure to renovate the older mills should not be underestimated. It is also important for cotton that the exchange parity of sterling after this war should not again be fixed at a conventional level which after the last war penalised all export industries and cotton in particular. Presumably, some form of control will remain after the war, in view of the economies shown in the experience of the Cotton Control and some scheme of reorganisation may be enforced.

While Lancashire must expect a reduction in its proportion of the world's cotton trade, it is to be hoped that the total of the world's cotton trade may increase and to some extent compensate the fall in Lancashire's share. There are some who have recently advocated trade barriers and price control as a method of maintaining Lancashire's trade. The lead in technique which alone can justify Lancashire's position in the world's trade cannot be preserved by these means, but only by progressive methods and efficiency.

If Lancashire is to have a prosperous trade in the future it must spend not less but more than its competitors on new experiments and developments. An immediate start is indicated in more than one direction, of which the development of viscose yarns is not the least important. Unless some indication can be given that the cotton industry has these steps in mind there can be little justification for an attempt to recruit labour on a scale sufficient to enable all the mills to run at an economical level. In sum, Lancashire's real problem after the war will be to find steady buyers for its wares, buyers who are willing to pay prices which will enable it to pay good wages. There is room for an efficient, if shrunken cotton trade, with emphasis on quality products. During the past three years wages in the cotton industry have been brought more into line with the average for all industries. If the industry can offer good wages and security in peace, it will have no difficulty in recruiting an adequate labour force.

Finance and Banking

Expansion in Credit Base

As so often since war began, the ease of credit conditions this week has taken the market somewhat by surprise. The week's TDR call represent at least £45 million of new money. Savings are running as a fairly high level, and one or two banks have been making-up, a combination of circumstances that might well have produced a certain stringency. Yet the Bank return, in fact, shows a rise of £13.5 million in bankers' deposits to the very comfortable level of £169.5 million, with public deposits again below the £6 million mark. Though there has been little clearing bank demand for bills, the supply of overnight money has been adequate. The addition of some £15 million to the Banking Department's securities holding can thus be ascribed with some confidence to Ways and Means borrowing, and not to special buying of bills. The rise in the note circulation continues, withdrawals since the January low now totalling £20,657,000, against £12,630,000 in the corresponding weeks of 1942.

Mr Churchill on Money

Mr Churchill's remarks on monetary policy in his recent broadcast were confined to stressing the need for reasonable stability of prices in order to safeguard the real value of savings and of long-term contracts expressed in money. Subscriptions to Government loans, post-war refunds of income-tax and war damage compensation, as he pointed out, are all obligations expressed in pounds, shillings and pence. Without being wedded (in 1943) to "undue rigidity in the management of the currency system," the Prime Minister therefore believes, very rightly, that over a period of ten or fifteen years there ought to be "a fair, steady continuity of values." It is difficult to make sense of the plaint that this attitude overlooks "the extent to which a dynamic social and economic policy can create the new wealth out of which it is financed." To safeguard the value of savings is merely to avoid a sweeping rise in prices; and no recognised monetary theory, however modern and enlightened, has yet been advanced in support of inflation. It is true that investment must always generate its own

savings. So long as there are unemployed resources to be drawn into production and to increase the output of consumption goods, these will be real savings; but beyond that point, they will merely be forced savings. The real point, surely, is that to avoid inflation is merely the first approach to a monetary policy. Once the transition to a peacetime economy has been accomplished, the main problem, as has already been recognised in Government pronouncements, will be to stimulate demand and not to regulate it. The Prime Minister's emphasis on the danger of inflation might therefore have been disquieting, but for the insistence elsewhere in the address on the necessity to have projects ready to provide future employment. Incidentally, it is not certain that in demonstrating the need for reasonable price stability, Mr Churchill completely demolished the contention that pounds, shillings and pence have become "meaningless symbols." In a controlled system, such as the present war economy, money no longer determines the direction of production, and the possession of money is not the chief determinant of individual consumption. Money, therefore, has much less meaning than in normal times. Whether its normal functions are to be restored is, in one sense, the question at issue between the totalitarians and those who desire the eventual removal of direct controls.

Indian Silver Price

For almost a fortnight past, the Bombay silver price has remained above the level of Rs. 109 per 100 tolas, which constitutes the "melting point" for old standard rupees. On March 11th the price jumped by Rs. 4 annas 5 to Rs. 111 annas 8, and it reached its highest level on March 16th, when the quotation was Rs. 112 annas 2. This is equivalent to nearly twice the London price of 23½d. On the same day, the price of gold reached Rs. 71 annas 10 per tola. Since then prices have been somewhat lower, but silver has rarely fallen below Rs. 109. To some extent, moreover, these Bombay market quotations under-estimate the level of prices over the country as a whole. The up-country price of silver, for instance, is customarily several rupees higher than in Bombay. This recrudescence of speculative demand for gold and silver is mainly a reflection of

To every man and woman smoker

Will you help to reduce the appalling loss of vital material caused by fire damage?

THOUSANDS of tons of foodstuffs completely destroyed, a clothing factory in flames, destroying hundreds of thousands of garments—fires like these are costing the nation £12,500,000 a year! More important than the money are the labour, the raw material and the shipping space which must be diverted from the war effort to replace the loss.

And the facts are, undeniably, that most fires start from some little act of carelessness by a normally careful person. A match thrown away still smouldering,

a cigarette end left burning, an electric iron left switched on—simple acts of carelessness like these are slowing up production, as well as making tragic inroads into the nation's reserve of materials. Will you help to stop it?

Be more than careful with lighted matches and cigarette ends—be sure! Stub your cigarette ends till they're right out and never throw away a match or spill unless you know it's out. Your help, everybody's help is needed, to reduce the loss to the war effort by fire.

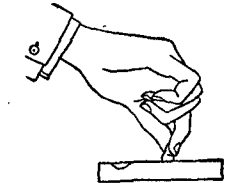
Most fires are caused by careful people

ISSUED AS PART OF THE FIRE OFFICES' COMMITTEE CAMPAIGN AGAINST FIRE WASTAGE

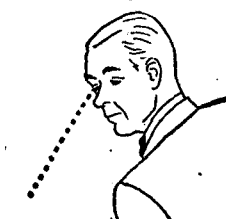
3 SAFETY FIRST RULES FOR SMOKERS



1. You know a match is out when you can do this.



2. Stub your cigarette end right out.



3. Look twice, when you're in any doubt.

pointed out a year ago that the falling level of fixed assets suggested the establishment of secret reserves of modest dimension. This year a revaluation has been effected, and roughly a quarter of the depreciation provided in the period 1935-41 has been written back, the amount of £13,109 thus provided being added to general reserve. The company has created a reserve of £5,000 against stocks, and raised that against bad debts to the same figure, both of these being shown as deductions from the relevant items. The result of all this, coupled with the detailed information as to appropriations for taxation, is a very much clearer picture of the year's results than is provided by almost any other company. Added to this, there is an eight-year comparison and analysis of balance-sheets and profit and loss accounts, with percentages. The revaluation of fixed assets somewhat disturbs the picture, but over eight years the percentage of these to total net assets, after deducting current liabilities, has fallen from 35 to 19, net liquid assets having risen correspondingly. Meanwhile the proportion of reserves to total capital and reserves has gone up from 20 to 47 per cent. Earnings showed a steady rise until after the outbreak of war. Since then there has been a decline, and the latest figure, before tax, is £48,709 against £61,790 for 1939 and £50,360 three years before. The dividend has, however, been unchanged since it was first raised to 40 per cent in 1938. In that year, net preference and ordinary dividends took almost 40 per cent of profit, and taxation rather over 35 per cent, while for 1942 the corresponding figures were rather under one-third of the reduced amount, and some 62 per cent, respectively, or, in absolute figures, the shareholders' receipts fell by almost one-third, while those of the state rose by 44 per cent.

It is announced that Morgan, Grenfell and Co., the private banking concern, is to reduce its issued capital from £2,000,000 to £1,500,000 by the return to shareholders of £500,000 of ordinary capital. After certain minor readjustments, the issued capital will consist of £750,000 in 4½ per cent preference shares and £750,000 in ordinary shares, the authorised capital remaining unchanged at £2,500,000. The operation has attracted some attention in the City, partly because a return of capital by a banking institution is so rare an occurrence, and partly because it follows so closely on the heels of the death of Mr J. P. Morgan, who was a director of the London associate. It is evident, however, that the decision to reduce the capital must have been taken some time before the latter event. The capital to be returned is, in fact, described quite simply as surplus to current requirements. A previous return of capital, in fact was made in 1939. Like many other first-class acceptance houses, Morgan, Grenfell have been somewhat less active since war began.

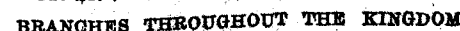
The market assumes that this means its own quotation, but it is less concerned with the amount of payment than with the larger implications of the acquisition by the Government of an important aircraft works. Shorts have a reputation at least for building flying-boats. There appears to be no provision for returning the control of the company to the public after the war. Investors in other competing concerns naturally ask themselves whether the Government will continue to run this new acquisition after the war in competition—probably subsidised competition—with the concerns in which they are interested. They, and industrialists and investors in general, are also anxious to know whether this extreme step is quite exceptional, or whether it represents a new technique. The indications are that the former is the case. But there has been no public statement on the subject. It is very desirable, things having come to this pass, that Shorts shareholders should be informed of their fate as soon as possible and that investors in general should be put in possession of the official view of the whole transaction.

During the week, the Stock Exchange held its fourth wartime election for the Committee. There were 35 candidates, of whom 27 were retiring members, for the 30 seats. All the old members were re-elected and the house accurately assessed the chances of the remaining candidates. There were the usual minor fluctuations in the proportion of votes received by the principal officials, but the feature of the ballot was the fact that as many as 1,140 papers were completed, a record for recent years, although there is no great controversy in the air and none of the new candidates was outstandingly popular. In so far as this may reflect an increased interest in the affairs of the market, it is welcome. There were the usual discussions as to the method of voting, which is that members must vote for not less than 25 and not more than 30 members. This type of voting results in many votes being cast for members of whom the voter knows little. This is clearly undesirable, but it is difficult to solve the problem, and a study of the actual votes received does not suggest that the actual composition of the committee would have been different under another system.

It is extremely disappointing to shareholders in Great Boulder Proprietary that nothing has so far come of the hopes expressed some months ago by Mr Manning, the new liquidator. On Monday last, Mr Justice Bennett continued the hearing of an application that the liquidator should summon a meeting of shareholders to appoint directors and effect a stay of all further proceedings in the voluntary winding-up. The application was not granted but is to stand over for three weeks, on the understanding that an attempt is to be made to get any of the various interests engaged together with a view to appointing directors who shall be acceptable, if Mr Justice Bennett is correctly reported, to *the majority of the shareholders*. It seems that the intention is that an independent board should be elected, but, if the accepted version that the de Bernales group control the majority of the votes is accurate, it is not clear what the next step will be. So far, all efforts to secure agreement on a board have failed. But if the Court is able, and willing, to put control of the company in the hands of a minority in value which represents a majority in number, some real progress may be possible.

It is probably a coincidence that the recommendations of the Chartered Accountants have been followed at an interval of ten days by the presentation of the accounts of Harding Tilton and Hartley, makers of the Van Heusen products. It is certainly not a coincidence that they faithfully implement the recommendations, and, it may be hoped, forecast others. It would be strange if they did not, for Mr F. R. M. de Paula, joint managing director of the company, is vice-chairman of the Taxation and Finance Committee of the Institute which is, presumably, responsible for the recommendations. It was pointed out in *The Economist* of March 28, 1942, that these accounts were a model to be followed, even if they still fell short of perfection. This year there are two improvements. The itemisation of fixed assets has been carried a step further by stating separately freehold land and buildings. It was

As suggested in the discussion of the preliminary statement in *The Economist* of March 6th, the full accounts of *Cammell Laird* for 1942 reveal a rise in total profits from £248,980 to £275,001. This is more than accounted for by a higher trading profit of £144,882 against £106,929,



Write for particulars to H. O. Leach (General Manager for British Isles)
SUN OF CANADA HOUSE, PALL MALL EAST, LONDON, S.W.1

struck after provisions for tax, deferred repairs and contingencies, investment income having declined from £141,770 to £129,834. The allocation to deferred repairs reserve is raised from £40,000 to £60,000, and after distributing the usual 10 per cent ordinary dividend, £100,000 is once more placed to general reserve. The higher earnings clearly arise from a much expanded output, only partially reflected in the balance-sheet. Stock and work in progress are doubled at £1,473,750 but, since this is struck after deducting instalments received, the actual position is obscure. Cash, however, has risen from £374,786 to £638,422, although debtors have declined slightly. Creditors, including tax, deferred repairs and contingency provisions, stand at £3,198,870 against some £2,553,000. Investments in Government securities and tax certificates total £800,000, comparing with the previous year's sum of £886,700 in loans to municipal authorities and Government stocks. Excluding the *Metropolitan Cammell and English Steel Corporation* holdings, net liquid assets have increased from £607,893 to £725,888. The latter company's total profit, struck on the same basis as the parent's figure, is up from £662,347 to £708,958. Comparison with the previous year's report indicates that £200,000 was placed to deferred repairs reserve before reaching the profit figure, but this year the appropriation is not disclosed. The deferred dividend is repeated at 17½ per cent tax free, covered by earnings of 22.0 against 17.9 per cent, also tax free, after which the carry forward is raised some £50,000 to £157,735. The balance-sheet shows cash has doubled at £3,068,642, while both debtors and stocks are about £200,000 higher at £3,381,365 and £5,411,778 respectively. Excluding inter-company items, creditors have risen some £1,630,000 to £9,563,223, net liquid assets now totalling £1,986,953 against £1,667,427. For both companies the immediate prospects are good, demand for their products doubtless exceeding their productive capacity, and while profits may increase to a limited extent, it is highly important that the available resources be conserved. At 9s. ex dividend the 5s. ordinary stock of *Cammell Laird* yields £5 11s. 1d.

'Baldwins' Accounts

It is unfortunate that the latest profits of *Baldwins* and of the wholly owned subsidiary, *Guest Keen Baldwins*, do not reveal the appropriation for deferred repairs. As the following table indicates, the accounts show a rise in income from £316,645 to £330,939 in 1942. The adjustment of the 1941 figures in the 1942 accounts shows that this allocation was £25,000 in 1941. In the accounts of *Guest Keen*

	Years ending December 31,		
	1940	1941	1942
Profits after tax	*360,411	316,645	330,939
Fees	5,863	5,840	5,863
Depreciation	*150,000	125,000	140,000
Preference dividends	59,150	51,312	51,179
Ordinary stock :—			
Earned	145,398	134,493	133,897
Paid	144,487	124,737	124,737
Earned %	10.1	10.8	10.7
Paid %	10	10	10

Carry forward..... 44,516 54,272 63,431

* These figures include an undisclosed amount for deferred repairs. The allocation for this purpose was £25,000 in 1941.

Baldwins, there is a discrepancy of £50,000 arising from the same cause, the latest profits of £661,043 comparing with £626,950. It is thus impossible to obtain a true comparison of gross earnings, but the effect of this juggling on equity earnings is nil. In the case of the parent company, there is a fall of 0.1 per cent to 10.7 per cent in the cover for the 10 per cent ordinary dividend and the carry forward is raised from £54,272 to £63,431. The vice-chairman,

Mr J. B. Neilson, states that the group has actually increased its output and range of alloy steels, and *Baldwins* balance sheet shows higher debtors and creditors with stocks stable. Net liquid assets have expanded slightly from £1,800,273 to £1,853,434, but net loans from subsidiaries of £66,093 have replaced net loans to subsidiaries of £14,066. The balance sheet of *Guest Keen Baldwins* shows a certain reduction in debtors and creditors, but it is fairly certain that for the group as a whole turnover has risen. Mr Neilson indicates that the subsidiary mainly concerned with the output of light alloys will be merged with the parent during the current period. The 4s. ordinary shares of *Baldwins*, at 6s. 1½d. ex dividend, offer a return of £6 10s. 7d. per cent, suggesting considerable doubts as to post-war maintenance of current results.

Shipbuilding Profits

The report of Swan, Hunter and Wigham Richardson for 1942 shows a sharp improvement in profits after tax and EPT from £397,995 to £446,014. After meeting the preference dividends and doubling the allocation to pension fund at £50,000, equity earnings for the 10 per cent dividend, unchanged from the previous year, have risen from £240,345 to £300,628, that is a rise from 18.1 to 25.1 per cent on the ordinary capital. The additional cover permits an increase of £55,000 to £125,000 in the transfer to reserve account, and a small addition of some £4,500 to the carry forward at £37,658. According to the chairman, Mr C. S. Swan, these results bear no relation to the actual work done, and in view of the company's none too favourable EPT standard, it is clear that the actual working capital must have been considerably expanded to achieve such net earnings. It is noteworthy that the expenditure on plant last year at £98,337 was more than double the previous year's outlay, while depreciation provision has been raised some £12,400 to £46,147. Stocks are little higher at £282,445. A contraction in cash from £714,786 to £558,174 is accompanied by a sharp reduction in bills receivable and a fall in debtors from £830,438 to £766,142. A new item is a holding of £300,000 in tax reserve certificates, while government stocks are some £50,000 higher at £659,211. Despite an increase of some £200,000 in creditors to £1,946,938, net liquid assets are some £235,000 up at £1,175,674. The current price of 38s. for the £1 ordinary shares is partly the result of recent optimistic hopes regarding the company's final distribution. The yield of £5 6s. appears relatively low in view of the post-war prospects of the shipbuilding industry, and is certainly below that obtainable on many heavy industrial stocks whose future prospects are not less uncertain.

London Brick Report

As was to be expected, there was a serious decline in the 1942 profits of *London Brick*, after tax except tax on dividends, from £386,210 to £298,467. There is no transfer for depreciation, against £100,000 in the three previous years, but the company is obliged to provide £35,757 against nil for war damage insurance. Last year, the 10 per cent ordinary dividend was covered by earnings of 12.8 against 15.1 per cent, and the allocation of £25,000, against £50,000, to reserve brings this fund to a total of £475,000. The reason for the decline in profits is, as the directors point out, both the falling demand for bricks, which was already apparent at the end of 1941, and the zoning scheme, which has eliminated long-distance deliveries. Building activity is, of course, still declining. Such construction as is still being undertaken on Government account has failed to compensate for the exceptional spurt of 1940 and early 1941. Whether or not there will be a substantial recovery before the end of the war depends upon whether the Government decides in the near future to proceed with an agricultural rehousing plan. The post-war outlook remains highly encouraging. The reduction in deliveries last year is reflected in the balance-sheet by a rise in stocks from £236,201 to £440,314, financed by a reduction of cash items from £1,150,432 to £923,175, including the elimination of the £150,000 interest-free loan to the Treasury. Creditors and debtors are both slightly higher, and there is a rise in net liquid assets from £973,605 to £1,014,777. The directors announce the acquisition of the works of the Grovebury Brickworks. The value of this property appears,

however, to be approximately offset in the balance-sheet by sales and requisitions. Total fixed assets now stand at £1,850,831 against £1,848,520, while total reserves and surplus amount to £580,970 against £553,390. The £1 ordinary stock, at 55s. ex dividend, yields £3 12s. 9d. per cent—a level which shows that the market takes an optimistic view of the present setback.

Two Motor Results

The reports of *Humber* and *Vauxhall Motors* for the years ended July 31, and December 31, 1942, respectively, suggest that the motor industry as a whole may have shared in the general recovery in earnings which took place among heavy industrial and aircraft companies. Profits, in both cases after all tax but before depreciation, rose from 1938, 377 to £203,437 for *Humber* and from £897,378 to £198,377 for *Vauxhall Motors*. The latter concern is now paying EPT for the first time. In both cases, equity earnings were higher. *Vauxhall* decreased depreciation from £417,290 to £396,769—the management is to be congratulated on disclosing this provision, which was concealed in the previous year. The ordinary dividend is maintained at the previous year. The ordinary dividend is raised from 15 per cent, covered by the considerable surplus of 60.1 per cent, against 51.9 per cent, and the carry forward is raised from £1,859,736 to £2,198,421. The management of *Humber* has decided to restore the deferred dividend from 10 to 15 per cent, paid in 1939, and covered by earnings of 73.1 against 42.1 per cent. There is no transfer, against £20,000, to buildings reserve, but general reserve receives £40,000 against nil, and the carry forward is slightly higher at £159,588 against £158,052. The directors of *Vauxhall* state that the reason for the rise in profits is a very marked increase in turnover, coupled with strict control of costs, and there can be little doubt that this also explains the *Humber* experience. Both balance-sheets show in the higher figures of liquid assets that business was on a larger scale last year, though the chairman of *Vauxhall*, Mr Leslie Walton, points out that the inability to increase fixed assets is also a partial explanation of the rise in cash items. Net liquid assets of this concern are up from £1,102,373 to £2,084,948. In the case of *Humber*, the expansion appears to have placed a certain strain on cash resources, and the surplus of current items is reduced from £298,223 to the level of £186,707. Both companies show a small rise in stocks. Managements are wise to conserve for reconstruction the wide margins between free earnings and dividends. The £1 6 per cent preference stock of *Vauxhall* ends at 21s. 9d. ex dividend, yields £5 10s. 4d. per cent; the 15 per cent 10s. preferred ordinary shares of *Humber* at 20s. yield £7 15s. 10d. per cent.

Higher Courage Dividend

The rise in profits of *Courage* in 1942 was not unexpected. Total income, after expenses, depreciation and tax, except tax on dividends, is up from £404,133 to £432,783. After meeting prior charges, there is £262,554 against £225,872 for equity capital, and the directors have decided to raise the final dividend by 1 per cent to 10 per cent, making 15 against 14 per cent for the year. Rebuilding reserve receives £20,000 more at £50,000; contingencies £25,000 against £20,425, and the carry forward is slightly higher at £101,332. The rate of cover for the ordinary payment is up from 22.1 to 27.0 per cent. These results can only have been realised by fully maintaining, if not expanding, turnover. There is no indication as to whether the rise in overall costs was checked last year, but it is possible that the saving from the further reduction in gravity of beer has more than compensated for the increase in labour and transport charges. In any case, the balance sheet shows that, in port terms, the stocks are actually higher at £345,846 against £293,974. There is a slight contraction in debtors, but an increase in creditors from £938,791 to £1,292,971, which has helped to finance a rise in investments of some £150,000 to £451,865 and the acquisition of £500,000 of tax reserve certificates at the cost of a reduction of only some £107,000 in cash to £213,096. A footnote to the balance sheet points out that adjustment in the value of certain assets, presumably fixed assets damaged by bombing, may eventually be required. For this purpose, the company holds a rebuilding reserve of £180,000 after the latest transfer from profits. Total reserves and surplus amount to £1,030,387. The £1 ordinary stock at 72s. ex dividend yields £4 3s. 4d. per cent.

Electric Power Profits

The veil which the absence for the duration of accounts published by the electricity supply undertakings has cast over their operations is only partly lifted by the reports of the holding companies. Of these, the results of four leading concerns with a wide geographical spread are analysed in the following table. The receipts of the holding companies showed little change last year. In two cases, there was a modest rise in equity earnings and in two cases a small decline. One company, *British Power and Light*, has restored the ordinary dividend to the 7 per cent paid in the three years 1937-39. It is clear, however, from such consolidated figures as are available that gross income rose very substantially in 1942 and that the revenue figures of the holding companies themselves by no means tell the whole story. Consolidated revenue of the *British Power and Light* group rose from £1,690,649 to £2,025,810 and total income, after operating and management costs, from £605,163 to £703,997. The greater part of this increase is eliminated by taxation, which, as the chairman, Mr C. E. Benson, points out, now amounts to 70 per cent of trading profit. The

Company and Date of Accounts	Total Disclosed Profits*	Equity Earnings		Dividend	Mar. 24, 1943	
		Amount	Rate		Price (1 Ord. Stock)	Yield
	£	£	%	%	ex. div.	£ s. d.
<i>British Power & Light</i> : (March 31)						
1940.....	271,390	85,768	7.3	6	31/6	4 8 11
1941.....	355,124	80,678	8.0	6		
1942.....	356,564	97,624	9.6	7		
<i>Lane. Elec. Lt. & Power</i> : (Dec. 31)						
1940.....	256,549	125,655	7.5	7½	36/6	4 2 2
1941.....	225,537	107,473	7.4	7½		
1942.....	228,847	110,056	7.6	7½		
<i>Midland Counties Elec.</i> : (Dec. 31)						
1940.....	365,400	212,343	12.3	8	40/-	4 0 0
1941.....	329,927	192,299	12.8	8		
1942.....	329,832	191,591	12.8	8		
<i>Scottish Power</i> : (Dec. 31)						
1940.....	369,712	210,579	9.6	8	41/-	3 18 0
1941.....	340,235	187,009	9.8	8		
1942.....	352,739	174,831	9.2	8		

* Struck before tax on dividends received by *British Power & Light*.

story is similar for *Scottish Power*, whose consolidated income rose from £977,046 to £1,032,675, and for *Midland Counties Electric*, which earned consolidated revenue of £1,412,450 against £1,223,848. In both cases, higher taxation absorbed the increase. Mr W. Shearer's speech at the meeting of *Midland Counties Electric*, although mainly devoted to special pleading for the continued freedom of the industry from state control, provided some facts about the development of business. Thanks to the influence of the campaign to save fuel, domestic consumption has been strictly controlled. The rising use of electrical power has come entirely from industry, and to a considerable extent from new industry which may be expected to maintain its demand after the war. The concern has been able to reduce consumption charges in two consecutive years. This is a welcome policy on which the management is to be congratulated, influencing as it does the whole structure of industrial costs and prices and forming a check to the upward movement of price levels. Yields on the ordinary stocks of the holding concerns range around the sound level of £4 per cent.

Chain Store Setback

The past year witnessed a minor decline in the trading profit of *British Home Stores* from £176,306 to £168,500, of which taxation required only £91,000 against £98,750. War Damage Act premiums were virtually £6,000 lower at £3,666, while interest on loans accounted for a mere £694 against £5,801. As a result of these savings, the board has been able to write off out of profits £7,785 on account of ARP expenditure, while earnings for the ordinary shares, which again receive 25 per cent, have risen from £24,319 to £28,951; equivalent to 42.8 against 36.0 per cent on the ordinary capital. The transfer to general reserve is doubled at £10,000, while the carry forward is raised some £2,000 to £19,521. A decline in stocks from £585,082 to £522,069 is largely accounted for by the fact that utility

CAN YOU MAKE friends and influence people? Acquire a pleasing personality, charm and poise through **RAPIDISM**, fascinating new system of personality training approved by experts. Write now for free Booklet to: **THE RAPIDISM INSTITUTE**, 890, TUITION HOUSE, London, S.W.19.

goods are free of purchase tax, but cash is almost £30,000 higher at £163,399. Taxation reserve is considerably reduced from £171,683 to £113,432, while a contraction in both debtors and creditors reflects the reduced turnover. There is, however, an improvement in the liquid position of the concern, surplus assets now totalling £311,422 against £271,372. In view of the existing difficulties both of staff and supply, these results are not unsatisfactory. According to the chairman, Mr H. Moore, the food and catering departments are contributing their full quota to the year's results, while he approves of the introduction of utility lines, which have found increasing favour with the public. In connection with his company's proposals for the acquisition of Green Shops, it is now known that a considerable proportion of the latter company's shareholders has accepted the offer. While any advantages accruing from the merger will not be apparent in the immediate future, there is no reason why in the long run this expansion of British Home Stores' interests should not be mutually beneficial. Some indication of the company's future prospects is reflected in the current price of 9s. 1½d. for the 1s. ordinary shares, yielding only £2 15s. 6d.

Finance for Copper

It has been apparent for some time that the supply of copper to the United Nations, like that of some other commodities is less than sufficient to meet all requirements, and it is, therefore, not surprising to learn that the output of Rhodesia is to be increased. That being so, it is perhaps

natural that Nchanga Consolidated, whose development programme had been somewhat curtailed by war conditions, should be the mine chosen to expand. It is now proposed to raise £1,500,000, of which half will be in the form of a grant from the Ministry of Supply. The remainder will be provided by the issue of 412,696 £1 shares of the company at 28s. 6d. These are to be offered to Nchanga shareholders at the rate of four new shares for every £25 of ordinary stock held. The two principal holders are Rhokana Corporation and Rhodesian Anglo-American. The former is barred from subscribing itself, but its independent shareholders may apply for one new share in Nchanga for every £14 ordinary stock held in Rhokana. This gives them, individually, almost exactly the interest they would have held, collectively, had Rhokana applied. Actually these applications will be satisfied from the allotment to Rhodesian Anglo-American, and if all Rhokana shareholders exercise their right, and it is a valuable one with Nchanga standing over 31s., the "Rhoanglo" allotment will be exhausted. That company, together with Industrial Finance and Investment Corporation, is guaranteeing the issue for 1s. per share commission. Thus it is designed that all the shares to be issued should go to outside shareholders of ordinary capital in Nchanga and Rhokana. This appears to be the reverse of the usual Treasury policy, which tends to concentrate applications in few hands, but it is probably inevitable owing to the fact that the group is fully invested. Nchanga has, so far, paid no dividend. It is not clear how this particular type of finance, involving as it does official assistance, will affect the EPT position.

Industry and Trade

Growing Industries

Like Sir Kingsley Wood in the House of Commons on February 2nd, Mr Churchill, in his broadcast address last Sunday, gave an encouraging account of the industrial prospect. The Chancellor of the Exchequer singled out the chemistry of oil, plastics, light alloys and the processing of foodstuffs as examples of industries offering scope for rapid development. Mr Churchill mentioned the "ceaseless improvements" in wireless and the "wonders of radio-location"; he pointed to the "striking advances" open for both gas and electricity as the servants of industry, agriculture and the cottage home; he listed building, forestry, civil aviation and transportation in all its forms as industries providing "gigantic opportunities which, if used, will in time increase our power to serve other countries with the goods they want." The Prime Minister's list of the possibilities of industrial progress and expansion is certainly encouraging. But the opportunities must be seized, the possibilities must be turned into reality. The "intense demand," at home and abroad, for consumable goods, such as clothes, furniture and textiles, immediately after the war must not lull British industry into a sense of false security. Such a re-stocking movement is likely to be short-lived. A concentrated effort will be needed to put post-war expansion on a solid basis of efficiency and enterprise.

Statement of Aims

During the debate on the Air Estimates on March 11th Sir Archibald Sinclair made an important statement about the future of civil aviation on behalf of the War Cabinet. He said:—

Whatever form of international collaboration may be devised for postwar civil air transport, it will clearly be the duty of this country, both from our own and from an international point of view, to play a prominent part in the production and operation of civil aircraft.

Sir Archibald went on to say that the exploratory work is already in hand. Preliminary consultations are being held with the Dominions and India and the crucial discussions with other members of the United Nations are to follow. So far as the provision of aircraft is concerned, Sir Archibald pointed out that the Brabazon Committee had recommended that work should start immediately on the design of civil aircraft of new types and on preparing for the conversion of military aircraft. He felt confident that aircraft manufacture, now the largest industry, can make a real contribution to the development of civil air transport, and he agreed that the first thing to be done is to take the

necessary steps to provide aircraft of the types that will be required after the war for passenger and goods transport. Sir Archibald's statement on aims at least suggests that the Government is alive to Great Britain's need to play an important part in what is likely to be a rapidly growing industry after the war. At present the time and skill that can be devoted to this end is necessarily limited; but within these limits preparations should be pushed ahead as rapidly as possible. At the moment, the future relationship between state, public corporation and private enterprise in civil aviation seems no nearer a decision than the relationship between the nations in this field. Four directors of British Overseas Airways, including the chairman and the director-general, have resigned because they believe that the proposed arrangements for civil traffic on trunk routes under the new RAF Transport Command do not afford sufficient guarantees to the Corporation either for the present or for the future. The time for some explicit statement of the Government's design for post-war flying—and (in view of the purchase of Short's shares, discussed on page 400) for post-war aircraft manufacture—is more than ripe.

Higher Wages for Engineers

On Friday last week the National Arbitration Tribunal made the award on the claim of the engineering unions. The claim was for an 11s. a week all-round increase in basic rates, for an increase equivalent to 33½ per cent of basic rates to all plain-time workers, and for the restoration of overtime rates and other conditions which were amended twelve years ago. The employers went part of the way by offering to add 6s. a week in the form of bonus to the earnings of plain-time workers, and a corresponding readjustment of the earnings of the lower-paid piece-workers, and a consolidation of 20s. of the bonus with the basic rates, but with an adjustment of piece-rates designed to leave the earnings of the more highly paid piece-workers broadly unchanged. The Tribunal awarded an additional 6s. a week to the bonus of plain time workers, a consolidation of 20s. of the bonus with the basic rates, and an adjustment of piece-work rates and "bonus and basic times" to enable a worker of "average ability" to earn at least 27½ per cent over basic rates; an increase of 2½ per cent over the previous minimum. These formulae are all very complicated. Broadly, it means that time workers will receive an additional 6s. a week and that their overtime and other special earnings will in future be calculated on higher basic rates. Piece-workers will obtain a somewhat higher percentage of a higher b

rate. The advance in the rates of pay for engineers, already among the most highly paid occupations, will inevitably bring a crop of claims from other industries. The three railway unions have already tabled a demand for a further 10s. a week; other claims are pending, and more will follow. Meanwhile the stock of consumable goods is shrinking.

More Combined Committees

Following the formation of the Combined Steel Committee in December, 1942, and of the Combined Copper Committee last February, two new combined materials committees, the one dealing with rubber, the other with aluminium, have now been formed. The new committees, like the two earlier ones, are fact-finding and advisory bodies on matters not already dealt with by the Combined Raw Materials and Production and Resources Boards. Both rubber and aluminium are important and scarce, but the conditions of supply are different. The root of the present rubber supply difficulties is the loss of the rich Pacific producing areas, which until the end of 1942 supplied some 90 per cent of world production. The large stockpile of natural rubber accumulated by the United States and British Governments since the middle of 1940 have so far prevented a serious rubber crisis, but stocks are reported to be declining fast. In spite of strenuous efforts to increase production, the annual rate of supply to the United Nations, according to a statement of Mr Eric McFadyen at the annual meeting of the Rubber Plantations Investment Trust last week, is under 200,000 tons. The production of synthetic rubber undertaken by the United States is now making more rapid headway following a slow start. According to a statement by Mr Donald Nelson, chairman of the War Production Board, a special interim plan has recently been approved. This aims at raising the annual Buna-S capacity by mid-July to 435,000 short tons. After the completion of this interim scheme the remainder of the synthetic rubber programme, involving an annual capacity of more than 600,000 tons, is to be completed in balance with the other war production schedules. The new supplies of both natural and synthetic rubber at present in sight represent the minimum of urgent requirements. The main cause of the aluminium shortage is the very great speed with which the Allied aeroplane construction programme has been expanded. The North American aluminium production schedules have been regularly adjusted to these programmes, but there is a time-lag between the adoption of construction programmes and the start of operations in the new plants. Nevertheless, the rate at which Allied supplies of aluminium is increasing is a very encouraging one. There are no detailed figures for United Kingdom supplies, but according to the last annual report of the United States War Production Board, that country's aluminium supply at the end of 1942 was running at an annual rate of 1,027,000 short tons, against one of 409,500 tons a year earlier, and before the end of this year supplies will reach 1,339,000 tons per annum. Current allocations to United States war factories suggest that the present rate of supplies (of which about one-tenth is produced in Canada by plants financed by the U.S. Government) is already approaching 1,200,000 short tons per annum. This figure may be almost twice as large as total Axis supplies, but to meet the growing requirements still larger supplies are needed.

Holidays at Home

The Government has decided that industrial workers are to get one week's holiday this year, in addition to the Bank Holidays and the Saturdays preceding them. Wherever possible holidays should be staggered, in order to avoid dislocating production; firms are asked to consult with the Regional Boards of the Ministry of Production and the Regional Transport Commissioners in their areas. After four years of war, the need for a complete break is greater than ever, especially as hours are still very long in some factories, in spite of some improvements. Fortunately, the winter has been mild, so that sickness has probably been less than it might otherwise have been. This year, as last year, people are being asked to spend their holidays at home to avoid congesting the railways, and no extra travelling facilities will be provided. Fortunately many of our large industrial centres are within reach of moorland. The Central Council of Recreative Physical Training organised some highly successful holiday camps for war workers last

year, within cycling distance of their homes, at a low cost and with minimum catering difficulties. Thus camps were organised in the Thames Valley for war workers from Slough; on the Yorkshire moors for workers from the West Riding; on the Roman wall for those from Durham factories and Tyneside shipyards; and a further extension of these camps is planned this year. At the same time, some local authorities, such as Huddersfield, Sheffield, and Liverpool, led the way in organising holidays at home; they arranged excursions and entertainments, while such firms as Messrs Cadbury provided facilities within their own grounds. The experience of last year showed that holidays at home can be made attractive and provide rest and variety.

Lower War Damage Premiums

In view of the lull in air raids, the Government has decided to reduce the rates of premium payable under two of the three schemes introduced by the War Damage Act—the compulsory "business" scheme for the insurance of plant, machinery and business equipment and the voluntary "private chattels" scheme for the insurance of furniture and personal belongings. The rate of premiums under the business scheme has been reduced from £1 in every £100 insured during the year ended September, 1942, to 15s. during the year ended September, 1943. Last week, the Board of Trade announced the Government's decision to halve the rates of premium payable under the private chattels scheme; the new annual rates which will apply to all policies beginning on or after March 18th will be 10s. for every £100 insured on the first £2,000, 15s. on the next £1,000 and 20s. on the next £7,000. These adjustments are timely; they are a reflection of the lessened risks.

More Paper Restrictions

Sizes of note paper, cheques and dividend warrants have been limited by a Ministry of Supply Order, the Control of Paper (No. 59) Order (SR and O, 1943, No. 406), which came into force on March 22nd. It is somewhat surprising that this step was not taken earlier. Some business firms still exchange letters written on sheets as large as 10 inches by 8 inches, although voluntary efforts have cut down the consumption of paper. In future, headed note paper must not exceed 57 square inches (8 by 7½ inches). Cheques are limited to about 18 square inches, with an additional 1.5 square inches for cheques requiring more than one signature. Some banks have already adopted smaller cheques than the maximum now permitted, and others have saved by eliminating the separate counterfoil to each cheque. Dividend warrants or tax deduction forms may not exceed 21 square inches each. Paper used for company reports, accounts, and so on, is also limited in amount. It should have been possible to extend the range of limitation on the size of paper to all forms in commercial use, for example, invoices, accounts, and receipts.

Liverpool Steam Ship Owners

The annual report of the Liverpool Steam Ship Owners' Association, published this week, lends its authority in support of the convoy system. In the light of the evidence available to the association, the system has again proved the most effective method of defence against submarine attack, "provided there is available the full protection which is the essential feature of the system." The way to break the back of the campaign is to provide better protection, more and stronger surface escorts, and more air cover. Like the report of the Chamber of Shipping, that of the Association expresses concern about the depletion of its capital assets; it urges that the shipping industry should be given a reasonable opportunity to accumulate funds which will be needed to restore it to its former strength. The report criticises the EPT rules governing the treatment of lost capital assets which are bearing harshly on shipping companies. Thus, when a ship is lost, the owner's profit standard is reduced by a percentage on the capital value of the lost ship; if he can acquire a new ship, the new asset takes the place of the old one for EPT purposes; but if he cannot do so then the insurance money which he has received does not rank as an asset employed in the business. The loss of a ship that cannot be replaced thus lowers the EPT standard of its owner. In other words, the more ships an owner loses the harsher is the effect of EPT under these rules.

COMPANY MEETINGS

EQUITY AND LAW LIFE ASSURANCE SOCIETY

SATISFACTORY RESULTS

WAR RISK COVER TO CIVILIANS

SIR GEOFFREY ELLIS'S SPEECH

The annual general meeting of Equity and Law Life Assurance Society was held on March 25, 1943, at the Law Society's Hall, Bell Yard, London, W.C.2. Sir Geoffrey Ellis, Bart., M.P. (chairman), presided.

The chairman, in moving the adoption of the report and accounts, said:—

Gentlemen,—I rise to move "that the report and accounts for the year ending December 31, 1942, be received and adopted and entered on the Minutes." These have been in your hands for some days and, I assume, may be taken as read.

NEW SUMS ASSURED

The new sums assured placed on the books during the year amounted to £636,086, and the new annual premiums to £30,293; both figures are after deducting reinsurance: annuity considerations amounted to £297,575. All these figures show definite increases over the corresponding amounts for last year, and we have every reason to be satisfied with the quality of the business.

In connection with our new business, there are two retirements from our staff to which I wish to refer. Mr. Christy-Clarke, the manager of our Head Office Branch, is retiring at the end of this month after almost sixty years' work in the insurance world. Mr. Christy-Clarke has remained with us during the war long after the normal retirement age, and for this help and also for his long and faithful service to the Society we thank him. Mr. Gosnell, our branch manager at Croydon, retired at the end of 1942, after nearly fifty years' work in insurance. We are pleased to see both these gentlemen here to-day and we wish them every happiness in their well-earned retirement.

STAFF PROBLEMS

The war has created for us a number of staff problems, and I think that the following facts may be of interest to you. During the spring of 1939 40 per cent. of the clerical staff at head office joined the Territorial Army and were called up during the August and September of that year. The process of releasing men and women for the Forces has continued throughout the war, and only 30 per cent. of our original head office staff remain. We have met this strain by longer hours of work, by the engaging of temporary staff, and by the temporary closing of a large number of our branches. Many of our branch managers are now carrying out very responsible duties at head office, and the total staff employed at our branches is now one-third of our peacetime level.

You will see, therefore, that during the last four years your Society has made every effort to release staff to serve in various capacities; but I would add two comments—first, it is the earnest endeavour of those who remain to give to all who do business with us the best possible wartime service, and secondly, we feel that a Society such as ours has a very real part to play in encouraging saving, and in the smooth financial running of the country.

MORTALITY CLOSE TO EXPECTATIONS

The mortality experienced during the contribution was very close to actuarial expectation; in respect of annuities it was slightly

less favourable, and in respect of Assurances slightly more favourable than expected—the one balancing the other. We hope that mortality will again be favourable this year, but we must bear in mind the possibility of severe fighting.

The revenue accounts present no unusual features, but I would call your attention to surrenders, which were satisfactorily low both in amount and in number of policies.

HOLDING OF BRITISH GOVERNMENT SECURITIES

The balance-sheet shows a continuance of the investment policy which I mentioned in my remarks last year, and you will observe that our holding of British Government securities now amounts to more than £6,000,000—an increase of over £4,000,000 since the outbreak of war.

I do not propose now to refer in detail either to our investment policy or financial position; a triennial valuation falls to be made as at the end of this year and will provide a suitable occasion for fuller comment. I will say, however, that the satisfactory trend referred to last year continues. In this connection I must emphasise—and I have made this point in both my previous speeches to you—that it is the primary concern of your directors to strengthen the Society's valuation reserves.

WAR RISK COVER TO CIVILIANS

I want to conclude by referring to a subject which has received some publicity recently—the granting of war risk cover to civilians. Since the spring of 1940 your Society has granted such cover under new whole life and endowment assurances without additional charge. There has been a plea in the press for the issue of policies covering the risk of death from air raids only. It would be difficult to find circumstances in which an individual would require cover against air raid risks without at the same time requiring cover against the risk of death from normal causes. The only obvious case is that of a man who already has an ordinary policy excluding the risk of death from air raids. For this reason your Society has felt, and feels, that it is offering the best service to the public by including war risk cover for civilians, in normal cases, under its ordinary whole life and endowment assurance policies.

I would remind you that the vast majority of policies existing as at September 3, 1939, are free from all restrictions and thus cover not only risks to civilians from air raids, but also all the risks run by men serving with H.M. Forces.

TRIBUTE TO STAFF

The war depletion of our staff has rendered the work of our senior officers particularly difficult and has often necessitated very long hours. Our thanks are therefore due in greater degree than ever to Mr. Kirton, our general manager, Mr. Haynes, our actuary and secretary, and Mr. Whyte, our investment manager.

To our staff in general I would like to say "thank you" and "well done" for another year's good work in a very difficult time.

The report and accounts were adopted.

BRITISH INSULATED CABLES, LIMITED

PROFIT MOTIVE VERSUS PROFITEERING

The forty-seventh ordinary general meeting of this company will be held, on the 1st proximo, in Liverpool.

The following are extracts from the statement of the chairman, Sir Alexander Roger K.C.I.E., circulated with the report and accounts for the year ended December 31, 1942:—Profit on trading, dividends on investments, etc., after making provision for taxation and contingent reserves adjustment have increased by £20,722 to £831,107, but as depreciation and other charges absorb £10,890 more than in 1941, the net profit available from the year is only £9,822 higher at £557,180. Due to the effect of higher costs and the heavy incidence of taxation, the results only partially reflect the output achieved during 1942.

THREE ESSENTIALS

As I see it, a manufacturing concern should have three main motives, namely: (1) to produce goods of the highest quality by the most efficient means; (2) to pay an equitable remuneration to all employees and to assist them, or their dependents, after their service with the company has ended; and (3) to earn a reasonable profit for shareholders on the capital invested in the business.

The results of numerous investigations rightly made into our figures since the war, the trust and confidence placed in the company by Government Departments, and the production we have achieved prove that under existing conditions your company are fulfilling motive number (1). The same claim, we are confident, will be justified under more normal conditions.

With regard to (2), we have a loyal team of employees, all of whom are equitably remunerated whilst in the company's service. Furthermore, in the case of staff, a pension fund was created as long ago as 1916.

Although many factors exist to render difficult the operation of a similar pension fund for workpeople, the building up of the "provident fund for workpeople" will permit us to do even more than hitherto for our retired workpeople and their dependents.

Motive (3) involves what is commonly known as the "profit motive," a subject of much adverse and misplaced criticism. What the critics are tilting at is "profiteering," and this confusion of thought should be removed. There is a vast difference between the profiteering motive and the profit motive. Take the case of your own company. Over 50 years ago a few adventurers pooled their very limited financial resources to embark on the manufacture of an entirely new design of cables—a risky business. On more than one occasion money even had to be borrowed to pay the weekly wages, but the pioneering spirit of private enterprise persisted, and ultimately a reasonable return was earned. Original shareholders, if there be any, have benefited from this profit-motive policy, but surely, to an infinitely greater degree benefit has accrued to the common good. I think I am entitled to add that these beneficial results have not been disproportionately shared.

A WELL TRIED SYSTEM

It would be ridiculous to claim that the capitalist system is faultless, but I do claim emphatically that it has enormous advantages over any other economic system yet tried. Virtually every person in Britain to-day has become a capitalist, and to talk of the abolition of capital is to use a form of words which is meaningless. I would add another thought: the social security which is so dearly desired by all men to-day depends on the universal acceptance and practice of the profit motive, for social security in the ultimate must depend on the efforts and success of the individual.

BORAX CONSOLIDATED LIMITED

IMPROVED RESULTS

The ordinary general meeting of Borax Consolidated, Limited, was held, on the 23rd instant, at Winchester House, London, Major D. Abel Smith, M.C. (the chairman), presiding.

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

The net profit for the year under review amounts to £367,658, representing an increase of £13,487 over last year.

We have already paid the sum of £44,000, less income tax, on the 5½ per cent. cumulative preference stock. Also an interim dividend of 3 per cent. on the preferred ordinary stock was declared on October 27, 1942, and paid on December 3, 1942, absorbing £18,000, less income tax, and we now propose the payment of a final dividend of 3 per cent. on the preferred ordinary stock, which will absorb a further £18,000, and to pay a dividend of 7½ per cent. on the deferred ordinary stock. After providing for these payments amounting, less income tax, to £88,750, and deducting £30,000 for war contingency reserve, the balance to be carried forward is £260,999, an increase of £908 on the previous year.

The war contingency reserve was raised last year by £50,000, bringing that total to £100,000, and in view of our widespread interests throughout the world we have deemed it advisable to transfer a further £30,000 to this account, bringing the total to £130,000, as a precaution against any unforeseen conditions. The following item relates to taxation reserve, against which this year's total amounts to £442,772, an increase of £92,987 on last year's figure.

MINES AND DEPOSITS

Under this heading you will notice an increase of about £69,000, accounted for mainly by the acquisition of a property previously represented by debentures in a subsidiary company; in consequence the following item "debentures at cost" has been reduced by £62,000, the balance referring to other property. The next item relates to stocks at mines, factories, warehouses and in transit. Here you will notice a further increase of nearly £248,000, which is explained by the welcome advent of the United States on the side of the Allies in December, 1941, and the consequent necessary precaution of building up stocks of all the many essential items required in connection with our widespread interests, as also by the distribution of substantial reserves of our products at strategic points, both to forestall increases in costs and to avoid dislocation of trade.

Cash, including tax reserve certificates, plus British and Foreign Government securities, totals £416,000, as compared with about £490,000 last year, a reduction due to increase of stocks just referred to.

I feel confident that you will agree that the results obtained must be regarded as eminently satisfactory. Increasing quantities of our products are now being employed for flame-proofing, and the trend to their more extensive use for vital purposes is generally apparent.

BORAX IN AGRICULTURE

The use of borax for fertiliser purposes, stimulated by the needs of the United Nations for maximum food production, continues to make steady progress, and is specially noteworthy in connection with the cultivation of alfalfa in the U.S.A. Further developments are anticipated as a result of surveys of the Boron status of the soil.

The products of the United States Potash Company enjoy a high repute, and our investment therein proves in every way satisfactory.

METROPOLITAN ELECTRIC SUPPLY COMPANY, LIMITED

POST-WAR DEVELOPMENT

The fifty-sixth ordinary general meeting of the Metropolitan Electric Supply Co., Limited, was held, on the 23rd instant, in London.

Major H. Richardson, M.C., J.P. (chairman and managing director), in the course of his speech, said that the results of the year's trading were satisfactory and the business had continued generally to increase.

The response to the appeal by the Minister of Fuel and Power for economy had shown hearty co-operation on the part of the company's consumers.

We were living in times when those who advocated public control as a cure for all human ills were producing an increasing flood of schemes and plans for the intended betterment of post-war existence. The successful business of electricity supply was very clearly included in these plans, though the terms "reconstruction" and "reorganisation," which were so freely used, were inappropriate to any schemes so far as the supply of electricity was concerned, where the essential requirement was the removal of restrictions in order to facilitate "development."

It was important that the public should appreciate the extent of the rapid development which had taken place in the provision and use of electricity which had been brought about by the energy, enthusiasm and good management of the different sections of the industry as at present constituted, in spite of restrictions placed upon it by out-of-date legislation.

With regard to the scheme emanating from the London and Home Counties Joint Electricity Authority, stockholders should not be unduly impressed by the document.

The report was unanimously adopted.

As notified in the Press, on August 12th last the United States Army authorities requisitioned the Tonopah and Tidewater Railroad. A formal protest was lodged at the time, and every necessary step taken to protect the bondholders' interests. However, the dismantling is proceeding and terms of settlement are still under negotiation. It is needless to add that the bondholders are fully secured by the guarantee of our company and that our present operations remain unaffected, as long before this requisition our mining activities were transferred to richer deposits which could be more economically worked, and were situate much nearer to our refining and shipping port.

THE FUTURE

In regard to the current year, so far as the first five months' trading enable the company to judge, there is a slight decline in the home and export figures, while the American trade continues to hold up well. When the United Nations have achieved their aim, and peace is happily restored, it is only reasonable to assume that all the countries previously supplied by us with crude and refined materials will by degrees revive their activities and seek to replenish their depleted or probably exhausted stocks with as little delay as shipping facilities permit. We look forward with confidence to our full measure of this revival in trade. The report and accounts were adopted.

THE SCOTTISH PROVIDENT INSTITUTION

INCREASED FIGURES

At the 105th annual general meeting held in Edinburgh on the 23rd ult., Mr. A. H. Bowhill, the chairman, stated that the result of the year's operations had been gratifying. The net new business, £1,125,094, the net new premium income, £47,481, the total premium income, £1,252,845, and the total funds, £25,345,772, all showed increases over the corresponding amounts for the previous year.

IMPROVED CAPITAL POSITION

The interest income represented returns of £4 18. 8d. per cent. gross and £3 18. per cent. net on the total funds, including the investment reserve fund, the effect of the Government's necessary policy of "cheap money" and high taxation having been to reduce the yield from investments. The whole of the excess income and a large proportion of the sums available for reinvestment had been invested in the new war loans. The continued rise in security values had improved the capital position and the market value of the Stock Exchange securities as at December 31st last exceeded the sum at which they stood in the balance-sheet.

The claims by death, £944,633, although including £76,000 due to the war, were less than for 1941. The fall in the amount paid on the surrender of policies continued and expenses of management were down by £15,700.

THE DISTINCTIVE SYSTEM

The call for drastic economy in manpower had led to the reduction in the number of staff to about one-third of the men and two-thirds of the women employed before the war, to the closing of branches and to the withdrawal of inspectors from agency work. Agents and members were asked to assist by recommending the institution, whose distinctive system of life assurance secures to policyholders in event of early death a very large sum assured for the premiums paid, and in event of survival beyond the qualifying period the valuable right to share in the surplus.

The report and accounts were adopted.



CITADEL OF HEALING

Last year at the Christie Hospital 4,864 new patients from all parts of England were examined, 45,223 investigations of patients were carried out and 17 Cancer Diagnostic Clinics maintained at Hospitals over a wide area. Funds are urgently needed for this work and for the extension of research into Cancer, still mankind's great scourge.

CHRISTIE CANCER HOSPITAL
HOLT RADIUM INSTITUTE

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

ALTHOUGH received with satisfaction in the markets, the actual effect of the Premier's broadcast and the first reports from Tunisia were slight. There has been a modest improvement in turnover during the past week, while some indication of the basic firmness of the markets is indicated by a new high level at 97.7 attained at the reopening by the *Financial News* ordinary share index. The *gilt edged* market was firm throughout, advances for long and short dated issues ranging from $\frac{1}{8}$ to $\frac{1}{4}$, while the 3 per cent redemption loan was prominent with a $\frac{1}{2}$ point rise. Turnover in the *foreign bond* market was generally insufficient to affect prices to any degree, although some South American issues displayed weakness. Brazilian loans, however, were harder in mid-week. *Home Rail* stocks attracted little attention this week, although quotations were fairly well maintained among the junior stocks. Several of the prior charges were marked up a $\frac{1}{4}$ point at the reopening. BA Western and Great Southern preference stocks were slightly easier this week in a generally steady *foreign rail* market, although the United of Havana 1906 debenture fell $\frac{1}{2}$ points.

The general tone of the *industrial* market was firm, main activity centring on issues with current interest, in particular radio, cinema and rayon shares. A. C. Cossor and Philco Radio were both firm on the talk of a proposed merger, while E. K. Cole advanced in sympathy. Emmies, however, were outstanding, with a net gain, after the mid-week decline, of 1s. 10d. Among Cinema shares, Gaumont British advanced 2s. and Odeon 1s. 3d. on steady inquiry. A gain of 1s. 9d. for Guinness was the feature of a slightly erratic brewery section, while among tobacco shares BATs and Gallaher were rather better. Aircraft issues turned dull on the announcement of the decision to transfer the publicly held shares of Short Bros. to the Government, although quotations were later steady. With the exception of a sharp rise of 1s. 9d. for Swan Hunter on the annual accounts, movements in the heavy industrial group seldom exceeded a few pence. Persistent demand for textile shares, in particular rayon issues, occasioned a fairly general advance throughout the section. Shipping shares were neglected, but occasional losses were insignificant. Among electrical equipment issues, British Insulated Cables rose

1s. 9d. on the annual report and the news of the proposed capital expansion. J. Barker was outstanding in the stores group with a gain of 2s. 6d., while Lewis's Investment Trust rose 1s. 6d. Among miscellaneous issues, London Brick lost 1s.; both Tunnel Cement and Radiation were firm.

After last week's buying of *Kaffir* gold mining issues, the Cape returned to the diamond market. A considerable turnover in De Beers deferred left the shares $\frac{1}{4}$ points higher on the week, while Consolidated Diamonds advanced 2s. Anglo American Investment was prominent with a rise of 2s. 9d. Gold mining shares derived strength from the Premier's broadcast, Libanon jumping 2s. and West Wit Areas $\frac{1}{2}$ point, apart from fairly widespread gains ranging from $\frac{1}{2}$ to $\frac{1}{4}$ for other issues. The *rubber* market, although not entirely devoid of changes, was idle. *Tea* shares were rather erratic, but neither losses nor gains exceeded 9d. Leading oil issues failed to attract any demand and quotations tended to slightly lower levels. Mexican Eagles, for no particular reason, advanced 1s. 9d., while Canadian Eagles improved $\frac{1}{4}$ d. in sympathy.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
Mar. 18	4,427	2,841	97.1
" 19	5,123	2,778	97.4
" 22	6,000	3,472	97.7
" 23	4,873	3,241	97.5
" 24	5,235	3,110	97.4

* July 1, 1935-100. † 1928-100. 30 Ordinary shares, 1943: highest, 97.7 (Mar. 22); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List, § Old basis.

New York

LAST week's volume of business on Wall Street was rather below the level of recent weeks. Light selling and scattered profit taking were in general offset by occasional specialised investment demand, and early this week the Tunisian developments created a better tendency. Nevertheless, actual advances, mainly in rail, steel and rubber issues, were small.

Total share dealings: Mar. 18, 866,000; Mar. 19, 1,065,000; Mar. 20*, 484,000; Mar. 22, 851,000; Mar. 23, 1,192,000; Mar. 24, 1,161,000.

* Two-hour session only.

COMMODITY AND INDUSTRY NEWS

Cabinet Hardware.—The Board of Trade has made an arrangement with the Wholesale Cabinet Hardware Merchants' Association whereby the Association will centralise orders with manufacturers and arrange the distribution of hardware fittings for utility furniture. This has been done in order to ensure that designated utility furniture manufacturers, who might otherwise have difficulty in obtaining their relatively small individual requirements, will be able, through the Association, to obtain supplies of hardware fittings of a standard quality approved by the Board, at reasonable prices and without delay.

Ploughing Grant.—The grant of £2 an acre for ploughed up land which has been under grass for at least seven years was due to expire on March 31st. The Government has extended it for another year, presumably in view of the increased arable land required this year.

Shellac.—The Ministry of Supply announces that a representative of the United States Board of Economic Warfare is being sent to India to co-operate with the representative of the Ministry of Supply in the operation of the Indian Shellac Procurement Board.

public purchase of all shellac for importation into the United States and the United Kingdom will be continued and no change in the prices paid for shellac is contemplated. Defence Supplies Corporation, acting under the direction of the Board of Economic Warfare, will continue to be the sole buyer of shellac for importation into the United States.

Farm Tractors.—Farm tractors, licensed at the 5s. rate, may now be used anywhere on roads for hauling agricultural produce, or, or articles required for, any farm.

STANDARD STATISTICS INDICES (1935-36=100)

(WEEKLY AVERAGES)

	1943	1943	1943	1943	1943
	Low Jan. 6	High Mar. 3	Mar. 10	Mar. 17	Mar. 24
347 Industrials	81.1	89.6	89.6	89.2	89.8
32 Ralls	72.6	86.1	86.1	84.4	85.2
40 Utilities	67.9	76.6	76.6	76.5	75.1
419 Stocks	78.5	87.3	87.3	86.9	87.3
Av. yield %*	5.36	4.91	4.91	4.95	4.93

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Mar. 11	Mar. 12	Mar. 13	Mar. 15	Mar. 16	Mar. 17
110.3	110.4	110.6	110.5	110.2	109.5

1943: High, 110.8, Mar. 6; Low, 99.5, Jan. 2.

Capital Issues

Week ending March 27, 1943
By Permission to Deal 23,197
Particulars of Government issues appear on page 409.

Year†
1943..... 419,775,119
1942..... 383,651,718

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1943.....	410,669,225	787,600	Nil
1942.....	379,423,351	139,308	27,000

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	406,644,083	609,337	4,203,905
1942.....	377,671,312	156,279	1,822,088

† Includes Government issue to Mar. 16, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

British Xylonite Co.—Consolidated trading profit of parent company and subsidiaries for 1942 £981,245 (£826,753). Tax provision £786,741 (£627,449). Company's gross income £63,492 (£74,423), ordinary dividend 10 per cent (same), carried forward £57,162 (£53,866). Consolidated balance-sheet shows tax reserve certificates £930,000 (nil).

Finance

GOVERNMENT RETURNS

For the week ended Mar. 20, 1943, total ordinary revenue was £54,513,000, against ordinary expenditure of £126,055,000, and issues to sinking funds of £192,130. Thus, including sinking fund allocations of £14,069,342, the deficit accrued since April 1st is £2,720,903,000 against £2,617,112,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1, 1941 to Mar. 21, 1942	April 1, 1942 to Mar. 20, 1943	Week ended Mar. 20, 1943	Week ended Mar. 20, 1942
Income Tax	913,000	745,059	960,624	19,082	24,628
Sur-tax	78,000	72,067	71,038	2,170	2,580
Estate, etc.	90,000	88,350	90,066	2,134	1,915
Stamps	15,000	13,633	13,580	1,090	400
N.D.C.	425,000	21,284	29,725	1,160	1,900
E.P.T.	1,000	241,010	337,877	5,306	7,020
Other Ind. Rev.	1,000	802	910	40	60
Total Ind. Rev.	1522000	1182205	1503820	30,982	38,503

Expenditure	Estimate, 1942-43	April 1, 1941 to Mar. 21, 1942	April 1, 1942 to Mar. 20, 1943	Week ended Mar. 20, 1943	Week ended Mar. 20, 1942
Customs	438,295	361,300	447,642	6,122	11,845
Excise	366,705	313,000	407,400	1,902	2,600
Total Customs & Excise	805,000	674,300	855,042	8,024	14,445

Motor Duties	Estimate, 1942-43	April 1, 1941 to Mar. 21, 1942	April 1, 1942 to Mar. 20, 1943	Week ended Mar. 20, 1943	Week ended Mar. 20, 1942
Canadian Govt. Contribution	225,000	...	224,719	...	...
P.O. (Net Receipts)	10,000	10,918	9,977	Dr 1282	Dr 23
Wireless Licences	4,300	...	4,200	...	...
Crown Lands	800	910	960	...	...
Receipts from Sundry Loans	5,000	5,185	4,062	...	682
Miscellaneous	21,000	84,814	88,010	3,317	907
Total Ord. Rev.	2627100	1996485	2719013	41,041	54,513

Self-Balancing P.O. & Brdcastg.	Estimate, 1942-43	April 1, 1941 to Mar. 21, 1942	April 1, 1942 to Mar. 20, 1943	Week ended Mar. 20, 1943	Week ended Mar. 20, 1942
	102,523	100,582	102,523	2,582	1,523
Total	2729623	2097067	2821536	43,623	56,036

Expenditure	Estimate, 1942-43	April 1, 1941 to Mar. 21, 1942	April 1, 1942 to Mar. 20, 1943	Week ended Mar. 20, 1943	Week ended Mar. 20, 1942
Ordinary Expenditure	325,000	254,141	308,681	2,273	3,528
Int. & Man. of Nat. Debt	9,500	8,076	8,080	...	...
Payments to N. Ireland	7,800	7,644	7,305	129	117
Other Cons. Fund Services	342,300	269,861	324,067	2,402	3,645
Supply Services	536,520	433,183	510,178	96,125	122,410
Total Ord. Exp.	5707505	4601695	5425847	98,527	126,055

Self-Balancing P.O. & Brdcastg.	Estimate, 1942-43	April 1, 1941 to Mar. 21, 1942	April 1, 1942 to Mar. 20, 1943	Week ended Mar. 20, 1943	Week ended Mar. 20, 1942
	102,523	100,582	102,523	2,582	1,523
Total	5810028	4702277	5528370	101,109	127,578

After decreasing Exchequer balances by £53,634 to £2,748,684, the other operations for the week (no longer shown separately) raised the gross National Debt by £71,932,384 to £16,780 million.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Mar. 19th and Mar. 25th. (Figures in brackets are par of exchange).
United States. \$ (4-88) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-88) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25-22) 17-30-40. Sweden. Krona (18-169) 17-40 kr. Argentina. Peco (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. Peru. Escudo (110) 99-80-100-20. Brazil. 200-00-200-00. Panama. 4-02-04; mail transfers 4-02-04. Uruguay. 7-6597 p. (buying).
Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate);

NET ISSUES (£ thousands)	
P.O. and Telegraph	250
Overseas Trade Guarantees	26
	276

NET RECEIPTS (£ thousands)	
Overseas Trade Guarantees	24

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Mar. 21	905-0	Not available		
Dec. 19	1045-0	"		
" 26	1045-0	"		
" 31	2,833-2	161-6	167-7	966-5
1943				
Jan. 9	1045-0	Not available		
" 16	1040-0	"		
" 23	1030-0	"		
" 30	1020-0	1770-8	231-7	24-0
Feb. 6	1010-0	Not available		
" 13	1000-0	"		
" 20	990-0	"		
" 27	980-0	1829-7	230-1	24-7
Mar. 6	975-0	Not available		
" 13	975-0	"		
" 20	975-0	"		

TREASURY BILLS

Date of Tender	Amount Offered	Applied for	Allocated	Average Rate of Allotment %	Per Cent Allotted at Mtn. Rate
1942					
Mar. 20	75-0	121-4	75-0	20-0-63	50
Dec. 24	75-0	144-8	75-0	20-1-25	29
" 31	75-0	143-5	75-0	20-2-05	41
1943					
Jan. 8	75-0	133-9	75-0	20-2-11	46
" 15	75-0	140-0	75-0	20-1-56	36
" 22	75-0	148-2	75-0	20-1-66	33
" 29	75-0	161-0	75-0	19-11-57	29
Feb. 5	75-0	158-7	75-0	19-11-85	34
" 12	75-0	141-6	75-0	19-11-93	32
" 19	75-0	152-7	75-0	19-11-86	24
" 26	75-0	172-8	75-0	19-11-86	24
Mar. 5	75-0	161-7	75-0	19-11-68	25
" 12	75-0	164-5	75-0	20-0-29	30
" 19	75-0	169-9	75-0	20-0-58	30

On Mar. 19th applications at 99 1/4, 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 30 per cent of the amount applied for, and applications at higher prices in full. Applications at 99 1/4 for bills to be paid for on Saturday were accepted in full. 475 millions of Treasury Bills are being offered on March 26th. For the week ending March 27th, the banks will be asked for Treasury deposits to the maximum amount of £80 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2 1/2% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2 1/2% War Bonds 1951-53
Feb. 9	5,745	2,278	6,200	8,586
" 16	5,753	2,040	12,138	7,533
" 23	5,484	2,569	8,700	6,716
Mar. 2	5,143	2,136	13,367	8,377
" 9	6,960	2,837	27,371	50,781
" 16	8,834	4,405	32,200	39,223
" 23	...	...	8,527	11,100
Totals to date	744,338	550,253	110,200	189,655

* 173 weeks. † 116 weeks. ‡ 17 weeks.

Interest free loans received by the Treasury up to Mar. 23rd amounted to a total value of £55,273,733. Up to Feb. 27th, principal of Savings Certificates to the amount of £96,972,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.
Market Rates.—The following rates remained unchanged between Mar. 19th and Mar. 25th:
Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-1. China. National \$ 2½-3½.
Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London.

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par.
MONEY RATES, LONDON.—The following rates remained unchanged between Mar. 19th and Mar. 25th:
Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

MARCH 24, 1943

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt...	11,015,100
In Circulation...	Other Govt. Securities...	938,083,500
In Bank: De- partment...	Other Secs...	892,518
	Silver Coin...	8,882
	Amt. of Fid. Issue...	950,000,000
	Gold Coin & Bullion (at 168s. per oz. fine)...	241,718
		950,241,718

BANKING DEPARTMENT

	£		£
Props.' Capital	14,553,000	Govt. Secs.	199,238,088
Rest.	3,511,198	Other Secs.	—
Public Depts.*	5,965,929	Discounts & Advances	6,824,183
		Securities	19,368,686
Other Depts.:			
Bankers	169,556,953	Notes	26,692,869
Other Accts.	55,216,629	Gold & Silver Coin	21,524,571
	224,773,582		1,348,180
	248,803,709		248,803,709

PROVINCIAL BANK CLEARINGS

£ thousands		Mar. 14, 1942, and Mar. 13, 1943.	
Year Ended	Mar. 14, 1942	Mar. 13, 1943	Mar. 14, 1942
Working days:			
Birmingham	2,101	1,921	32,061
Bristol	1,435	1,524	27,186
Cardiff	2,141	655	26,298
Exeter	718	416	8,918
Leeds	821	827	15,137
Leicester	722	824	10,835
Liverpool	5,048	4,365	55,999
Manchester	11,184	12,403	149,282
Newcastle	1,656	1,427	19,779
Nottingham	444	456	6,031
Sheffield	783	1,031	11,672
Southampton	155	147	1,550
12 Towns	27,208	25,994	365,646
Dublin*	6,699	6,554	79,928

* Mar. 14, 1942, and Mar. 13, 1943.

THE ECONOMIST

March 27, 1943

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

Million \$'s		Mar. 19, 1942		Mar. 11, 1943	
12 U.S.F.R. BANKS		19, 42	11, 43	18, 43	15, 43
Gold coins, on hand and due from Treasury	20,494	20,449	20,443	20,407	20,407
Total reserves	20,846	20,860	20,854	20,838	20,838
Total cash reserves	339	374	370	391	391
Total U.S. Govt. securities	2,249	5,800	6,090	6,265	6,265
Total bills and notes	2,264	5,825	6,112	6,290	6,290
Total resources	24,721	28,380	28,502	29,244	29,244
LIABILITIES					
F.R. notes in circulation	8,557	12,672	12,705	12,651	12,651
Excess int. bank res.	3,160	1,790	1,880	2,130	2,130
Mr. bank res. dep.	12,939	12,935	13,122	13,516	13,516
Govt. deposits	589	14	5	6	6
Total deposits	14,345	14,090	14,306	14,651	14,651
Total liabilities	24,721	28,380	28,502	29,244	29,244
Reserve ratio	90.9%	77.9%	77.2%	76.3%	76.3%
BANK AND TREASURY RESOURCES					
Monetary gold stock	22,686	22,643	22,644	22,610	22,610
Treasury & bank currency	3,273	3,953	3,971	3,979	3,979
LIABILITIES					
Money in circulation	11,474	16,154	16,205	16,115	16,115
Treasury cash and dep.	2,236	2,226	2,223	2,230	2,230

RESERVE BANK OF INDIA

Million rupees

Assets		Mar. 13, 1942		Mar. 26, 1943	
Gold coin & bullion	444	444	444	444	444
Rupee coin	280	280	280	280	280
Balances abroad	384	384	384	384	384
Investments	1,313	1,313	1,313	1,313	1,313
LIABILITIES					
Notes in circ. India	3,747	6,117	6,144	6,254	6,345
Notes in circ. Burma	264	264	264	264	264
Deposits: Govt.	173	384	407	324	282
Deposits: Banks	417	517	505	529	543
Reserve ratio	61.5%	68.5%	68.1%	69.3%	67.5%

CENTRAL BANK OF ARGENTINA

Million paper pesos

Assets		Jan. 31, 1942		Jan. 31, 1943	
Gold at home	1,075	1,075	1,075	1,075	1,075
Other gold and for each.	479	479	479	479	479
Govt. bonds	119	114	113	113	113
Treasury bonds	394	392	392	392	392
LIABILITIES					
Notes in circulation	1,390	1,544	1,590	1,594	1,594
Deposits: Government	84	133	190	185	185
Deposits: Banks	553	750	805	815	815
Certs. of participation	30	26	26	26	26
Reserve ratio	75.4%	79.2%	79.2%	80.5%	80.5%

March 27, 1943

THE ECONOMIST

COMPANY RESULTS (March 10, 1943, to March 24, 1943)

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.
Financial, Land, &c.													
Artizans' & General Dwellings	Dec. 31	416,785		101,022	233,102	26,562	52,760	6	80,000	- 58,500	399,173	96,314	6
Blantyre & East Africa	Sept. 30	49,686	877	18,526	269	459	12,000	10	-	- 6,067	61,727	14,010	10
City Offices Co.	Dec. 31	67,926		Dr. 1,763	2,525	649				- 812	71,240	Dr. 1,348	Nil
Law Investment, &c.	Dec. 31	14,428		6,431	19,059		5,000	21		+ 1,431	31,015	19,481	4
Law Land Company	Dec. 31	260,837		32,100	36,385	15,750	14,000	4	1,000	+ 1,350	261,654	20,036	4
Lewis's Investment Trust	Feb. 28	442,118		223,884	277,804	116,683	92,531	15	10,000	+ 4,670	438,463	217,283	15
Wharfedale Dwellings	Dec. 31	19,539		4,032	9,205	1,688	1,125	3		+ 1,219	19,456	4,288	3
Rubber													
Aboyn-Clyde	June 30	14,702		Dr. 2,586	857					- 2,586	13,468	2,004	Nil
Batavia (Kerkoven)	Dec. 31	880		Dr. 671	252					- 671	7,129	Dr. 848	Nil
Besokei	Dec. 31	1,387		44	11,816					+ 3,410	1,601	619	Nil
Java United	Dec. 31	1,189		Dr. 3,410	2,250					- 767	1,806	Dr. 1,710	Nil
Kuala Pilah	Dec. 31	971		Dr. 767	812					- 767	8,363	Dr. 1,21	Nil
Labis Bahru	Dec. 31	384		Dr. 1,374	4,875					- 1,374	30,556	5,802	Nil
Lok Kawi	Dec. 31	342		Dr. 771	3,090					- 771	12,670	2,212	Nil
Malayan Para	Dec. 31	357	1,204	Dr. 4,721	6,246					- 4,721	25,612	3,225	Nil
Soomber Ajoe	Dec. 31	2,777		Dr. 606	1,547					- 606	15,136	2,737	2,083
Sungei Krut	Sept. 30	2,777		Dr. 687	10,575					- 687	13,714	9,401	Nil
Shops and Stores													
British Home Stores	Dec. 31	169,065	22,069	42,951	60,396	14,000	16,875	25	10,000	+ 2,076	176,575	39,368	25
Freeman, Hardy & Willis	Dec. 31	211,395		197,795	302,239	140,000	59,375	25		+ 1,580	190,343	176,743	15
Gamage (A. W.)	Jan. 31	112,894		51,634	147,372	9,825	37,500	74		+ 4,509	111,633	56,647	74
Lennards Limited	Dec. 26	76,464	8,091	20,236	45,400	4,312	3,125	25	13,055	- 256	61,904	17,866	25
Mappin & Webb	Dec. 31	185,729		47,024	109,409	12,800	12,800	8		+ 11,724	179,000	45,331	8
Roberts' (J. R.) Stores	Feb. 14	28,730		10,642	19,700	1,000	9,687	124		- 45	22,443	14,465	124
Textiles													
Aristoc Limited	Dec. 31	82,086		34,445	78,580	5,000	20,000	20	10,000	- 555	79,343	31,518	20
Bairns-Wear	Dec. 14	95,910		20,735	31,777	4,125	12,403	15	5,000	- 793	117,617	21,267	15
Bradford Dyers' Association	Dec. 31	242,274		170,717	178,890	159,327				+ 11,390	240,024	166,826	Nil
Denning, Reid & Co.	Dec. 31	208,424		92,036	138,705	5,250	54,688	124	30,000	+ 2,039	200,661	88,504	124
Granger & Smith	Dec. 31	79,193	2,377	19,744	28,006	8,603	6,904	3		- 45	74,757	18,865	3
Hirst (Geo. H.) & Co.	Dec. 31	36,057	5,000	4,486	12,175	4,531	7			- 45	36,527	5,107	7
Hollins (William)	Dec. 31	279,615		44,984	62,099	2,250	38,100	6		+ 4,634	242,203	43,115	6
Woolcombers Limited	Dec. 31	110,428		78,331	145,910	15,750	85,000	214		- 22,419	137,338	89,499	214
Trusts													
Fourth Conversion Investment	Jan. 31	49,454		25,745	37,886		19,688	4		+ 6,057	50,162	25,774	4
General & Commercial Investment	Feb. 28	26,165		13,539	37,882	8,064	5,645	34	20,000	- 20,170	21,802	13,463	34
General Funds Investment	Jan. 15	20,572		8,126	11,124	3,750	4,125	54		+ 1,867	21,348	9,136	54
Greenfriar Investment	Jan. 31	46,398		20,617	39,198	18,750	5			+ 5,477	117,356	52,133	Nil
London Border & General	Jan. 31	113,649		50,477	89,177	45,000	12,000	2	945	-	121,025	54,844	2
Premier Investment	Jan. 31	137,151		57,945	57,945	19,125	37,500	124		+ 2,743	91,958	59,748	124
Scottish Northern Investment	Feb. 5	92,123		59,368	86,203	6,350	4			+ 2,299	17,420	9,000	4
Second Conversion Investment	Jan. 31	16,459		5,408	11,437	3,906			500	+ 1,002	11,251	5,264	Nil
Tyneside Investment	Jan. 31	11,350		166,461	266,461	57,750	100,000	10	8,711	-	252,518	172,513	10
United States Debenture Corporation	Jan. 31	237,347											
Other Companies													
Angus (George) & Co.	Dec. 31	40,914		36,511	58,805	4,800	26,875	74	5,000	- 164	42,065	33,817	74
Bairds & Dalnellington	Dec. 31	227,769		227,769	399,507		130,499	16	100,000	- 2,730	196,032	196,032	16
Baker (John) & Bessemer	Dec. 31	82,415		23,119	43,631	7,820	12,398	10		+ 2,901	81,731	20,686	10
Baldwins Limited	Dec. 31	330,939	140,000	185,076	233,347	51,179	124,737	10		+ 9,160	316,645	185,805	10
Bentley Brewery	Dec. 31	475,613		135,505	300,485	21,000	73,601	25		+ 40,938	373,379	163,032	25
British Colour Works	Dec. 31	33,506		18,506	23,558	6,000	3,750	5	6,000	- 756	28,281	15,780	5
British Aluminium Co.	Dec. 31	1,051,119	50,000	569,870	791,998	90,000	300,000	10	150,000	+ 29,870	973,582	57,013	Nil
British & Colonial Furniture	Dec. 31	186,829		77,241	98,488	59,886				+ 17,355	151,096	57,013	Nil
British Insulated Cables	Dec. 31	831,107	257,382	507,180	985,727	57,500	400,000	20	100,000	- 50,320	101,385	547,348	20
British Power & Light	Dec. 31	556,564		141,124	260,013	43,500	71,050	7		+ 26,574	335,124	425,303	7
British Ropes	Dec. 31	528,207	121,049	129,510	331,388	40,863	54,765	124	25,000	+ 8,882	517,188	256,608	124
British Thomson-Houston	Dec. 31	562,883	224,950	259,258	476,871	52,500	70,000	7	100,000	+ 1,694	559,776	243,603	7
Brown Brothers	Jan. 16	97,494		90,593	182,100	8,437	34,050	124	50,000	+ 1,894	98,251	91,245	124
Cannell, Laird & Co.	Dec. 31	275,001		192,122	294,735		88,750	10	100,000	+ 3,372	248,980	186,548	10
Cape Electric Tramways	June 30	49,572		34,075	89,639		29,473	6		+ 4,602	39,763	24,146	5
Canvash Furniture	June 30	72,330		9,436	89,639				Dr. 7,675	- 2,889	73,277	2,083	Nil
Churchill & Sim.	Dec. 31	32,005		23,276	13,506	20,000				+ 1,276	19,586	11,060	Nil
Courson & Co.	Dec. 31	432,783		262,554	363,832	50,000	187,500	15	25,000	+ 54	404,133	245,872	15
Dorman Long & Co.	Dec. 31	330,939	275,000	515,830	568,151	320,913	126,492	8	65,000	+ 3,425	759,957	234,208	Nil
Ericsson Telephones	Sept. 30	1,058,397	25,000	110,960	142,223	13,998	75,907	204	22,150	- 1,395	308,881	105,851	204
Erith & Co.	Dec. 31	43,306		22,282	87,231	9,533	17,000	104		+ 12,689	46,902	20,935	104
Firth (Thos.) & Brown (John)	Dec. 31	537,920	175,000	296,357	452,547	42,000	50,000	10	75,000	+ 24,357	534,817	276,736	10
Fisons Limited	Sept. 30	537,920	32,141	283,034	115,405	26,228	52,661	124		+ 4,445	244,848	64,689	10
Fluhaler Limited	Dec. 31	872,644		388,338	579,429	32,500	234,788	274	120,000	+ 1,050	852,725	318,021	274
General Engineering (Radcliffe)	Nov. 30	49,168	1,105	148,008	20,430	18,000	100,000	124		+ 282	39,529	10,503	20
Goodyear Tyre, &c. (Great Britain)	Dec. 31	148,008		66,000	113,584	28,500	37,500	124		+ 30,008	111,864	111,864	124
Greengate & Irwell Rubber	Dec. 24	69,117		10,100	21,921	2,750	2,750	10	4,500	- 100	65,549	65,549	10
Guterman (S.) & Co.	Dec. 31	38,946	276	18,029	19,451	1,238	15,000	40	1,891	+ 100	58,948	21,031	40
Harding, Tilton & Hartley	Dec. 31	54,616	4,445	184,767	242,868	37,500	50,000	174	50,000	+ 9,767	226,666	172,554	174
Hoffmann Manufacturing	Dec. 31	228,193		150,419	242,848	9,100	97,715	30		+ 3,606	157,114	147,114	30
H.P. Sauce.	Dec. 31	160,049		58,922	95,587		15,000	15	15,000	+ 839	73,961	53,321	15
Hugon & Co.	Dec. 31	80,200	15,000	107,747	95,587	55,485	10,721	15	40,000	+ 1,536	198,377	87,875	10
Hummer Limited	July 31	203,437	71,616	60,298	89,933	4,500	52,755	30		+ 3,043	201,769	65,514	30
International Combustion	Sept. 30	262,553		139,336	160,522	12,000	106,900	20	20,000	+ 436	428,175	138,472	20
International Paint & Compositions.	Dec. 31	468,682	4,541	89,557	153,856	36,000	50,020	10		+ 3,537	94,128	87,528	10
Lancaster Paragon Supply	Dec. 31	228,847		172,047	186,154	61,989	108,750	74		+ 1,308	225,537	170,433	74
Lancashire Electric Light, &c.	Dec. 31	243,150	26,000	45,635	45,635	16,500	27,621	10	1,514	-	249,954	17,980	10
Lancashire United Transport	Dec. 31	262,710		259,580	362,970	32,000	200,000	10	25,000	+ 2,580	400,655	26,594	6
London Brick Co.	Dec. 31	44,690	7,500	25,130	33,596	13,513	41,510	8	30,000	+ 2,633	268,886	77,793	7
Meux's Brewery Co.	Dec. 31	283,312	23,260	87,856	49,207	3,456	20,000	10		- 6,381	67,040	17,507	7
National United Laundries	Dec. 31	90,856		12,016	25,713	2,000	9,450	134	3,000	- 2,434	23,146	12,236	134
Oatagon Brewery	Dec. 31	23,423		50,555	83,783	27,500	25,000	57		- 1,945	216,462	48,556	57
Peck, Frean & Co.	Dec. 31	295,185		16,832	34,123		11,390	15		+ 5,442	56,175	17,413	15
Radiators (G. D.) & Co.	Dec. 31	56,143		145,913	293,627	32,626	90,502	8	20,000	+ 2,785	130,432	39,890	8
Rivet, Bolt & Nut.	Dec. 31	58,739	15,076	38,663	49,129		25,781	10	10,000	+ 2,882	116,341	6,429	Nil
Round Oak Steel Works	June 30	167,147	41,491	40,759	60,658	7,000	7,500	3	20,000	+ 23,589	320,111	225,004	3
Rowntree & Co.	Dec. 31	346,796		235,889	396,007	169,800	42,500	84		- 1,775	59,521	52,548	8
Saraboid Company	Dec. 31	58,072		47,659	66,162	15,434	24,000	8	10,000	- 580	340,235	283,008	8
Scottish Power	Dec. 31	352,739		65,686	120,561	4,664							

(Continued from page 408)

market garden, provided the tractor is registered in the name of a person engaged in agriculture, or of a registered agricultural contractor, and is used primarily for work on land in connection with agriculture. Previously, tractors could only be used for hauling agricultural produce or requisites between one part of a farm and another, or between a farm and a railway station. The concession is a wartime measure to facilitate the lending of tractors and generally to assist in increasing food production.

Onion Distribution, 1942.—The quantities of onions delivered under the 1942 onion distribution scheme were in some cases below the amounts estimated in advance. This was due in part to disease which, particularly in one area, affected the keeping quality of the crop. The effect was that some wholesale distribution com-

mittees received less onions than it had been planned to supply to them; and in certain cases the shortfall was of sufficient proportions to prevent them supplying in full the local retailers' allocations for sale to the public.

Rubber Price.—The Ministry of Supply has recently raised its rubber selling price for ribbed smoked sheet, from 1s. 1½d. to 1s. 6d. a lb. The price was originally fixed in October, 1941. The new price has caused *The Economist* Sensitive Price Index (1935 = 100) for raw materials to rise from 172.7 to 182.3; a corresponding rise has occurred in the complete index.

Sugar for Jam.—Sugar may be bought instead of the preserves ration in the three four-weekly rationing periods from April 4th to June 26th, and 1 lb. will be allowed instead of 1 lb. of preserves. This concession is designed to enable those who grow fruit to make jam. The Minister of

Food has announced his intention to direct as much fruit as possible to jam factories, and has warned housewives not to rely on the possibility of buying fruit for jam making.

"THE ECONOMIST" SENSITIVE PRICE INDEX

	Mar. 18, 1943	Mar. 19, 1943	Mar. 22, 1943	Mar. 23, 1943	Mar. 24, 1943
Crops	117.8	117.6	117.8	118.0	118.1
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	146.6	146.5	146.6	146.7	146.8

	Mar. 31, 1937*	Aug. 31, 1939	Mar. 24, 1943	Feb. 17, 1943	Mar. 17, 1943
Crops	147.9	92.2	116.1	115.7	117.6
Raw materials	207.3	122.9	172.7	172.7	172.7
Complete Index	175.1	106.4	141.6	141.4	142.5

* Highest level reached during 1932-37 recovery.

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET
New York Agency: 65, BROADWAY, NEW YORK CITY

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)

Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania, Commonwealth Savings Bank of Australia, 8,900 Agencies at Post Offices in Australia.

As at 30th June, 1942.—General Bank Balances ... £161,729,589
Savings Bank Balances ... 164,619,569
Note Issue Department ... 111,950,542
Rural Credits Department ... 2,421,174
Other items ... 20,380,871

£461,101,745

A. H. LEWIS, Manager.
London Office: 8 OLD JEWRY, E.C.2
Also at AUSTRALIA HOUSE, STRAND, W.C.

THE ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with Limited Liability.

Assets exceed \$1,000,000,000

LONDON:

Main London Branch: 6, Lothbury, E.C.2.

E. B. McInerney, Manager

West End Branch: 2-4, Cockspur Street, S.W.1.

J. A. McKillop, Manager

HEAD OFFICE: MONTREAL

Agency in New York

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mandalay	Mombasa	British E.A.
Bombay	Delhi	Nuwara	Nairobi	Uganda
Calcutta	Kandy	Rangoon	Nakuru	
Cawnpore	Karachi	Tuticorin	Entebbe	
Chittagong	Lahore	Zanzibar	Jinja	
			Kampala	
			Tanganyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,000,000

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION

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

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

Head Office (temporary):

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MOWAT.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9, Gracechurch Street, E.C.3, a Company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER.

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts.)

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months	-	-	-	3 0 0
6 Months	-	-	-	1 10 0

(Cheques to be made payable to The Economist Newspaper Ltd.)

Publishing Office:

Brettenham House, Lancaster Place, London.

Telephone No.: Temple Bar 3316

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5197

REGISTERED AS A NEWSPAPER

APRIL 3, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONE SHILLING

War Powers - - - - - 413

Keystone of the Arch - - - - - 414

Ways and Means - - - - - 416

NOTES OF THE WEEK - - - - - 418

The Mareth Victory; Saving Ships; Big Numbers; Distribution Debate; Free Choice; Second Round; Africa and Carlton Gardens; The Best Organised; Northern Ireland Politics; The State of Denmark; Daventry Calling; Export Merchants' Policy; New Brooms; Filling the Gap; Still Going Strong; A Golden Jubilee.

AMERICAN SURVEY - - - - - 423

The New Geography; The Battle for Stability; Daily Bread; Controlled Materials; Shorter Note.

THE WORLD OVERSEAS - - - - - 425

Industry and Labour in Holland; Eire's Unemployment Problem; Portuguese-Spanish Trade; Germany at War.

Middle East Federation? - - - - - 417

The New Geography - - - - - 423

War Contract Prices - - - - - 428

FINANCE AND BANKING - - - - - 429

Bill Market's Low Quota; Turnover Since the War; Heavy Special Buying; Floating Debt Contrasts; Kennet Advisory Committees; Indian Sterling.

INVESTMENT - - - - - 431

Gold Mines Again; 18B for Industry?; Barrow Haematite Deal; Two-Way Proxies; Radio Amalgamation; Still More Black-Out; Armaments Profits; Lancashire Steel Reserves; Department Store Accounts; The Balance Sheet Aspect.

INDUSTRY AND TRADE - - - - - 434

A Plan for Exports; Trade Disputes; Retail Trade; Utility Furniture; Summer Fish.

COMPANY MEETINGS - - - - - 436

RECORDS AND STATISTICS - - - - - 443

War Powers

THREE years ago, on the verge of disaster, powers were taken by the Government to use all property as well as all persons for the prosecution of the war. Today, when the danger of 1940 has been replaced by the opportunity of 1943, the need for full and efficient production is even greater. Yet, when Ministers use these and other powers to constrain this firm or that, they meet protests and suspicion in some quarters, despite widespread approval elsewhere. Why is this?

In part, these demonstrations are a function of the age of the war. It is a striking fact that after three years of fighting, there is no apathy or weariness. Restiveness there is: the restiveness of Labour that chafes against the electoral truce; and the restiveness of industry that is anxious about the post-war future. Interests and individuals are sensitive. Just as Mr Bevin finds the Conservatives in arms against his Catering Bill, Sir Stafford Cripps finds a company of doubters when he controls or takes over aircraft firms. There are accusations of bias, hints that axes are being ground, that nationalisation is being brought in by the side door and that monopoly, entrenched among the Government's advisers, is being reinforced. More widely, there is a very natural and reasonable demand for more information.

The Government's responsibility is twofold: to leave nothing undone, whatever the consequences to private persons, to win the war; and to give guarantees that

nothing is being done that is needless. The principles of action are plain enough. There should be no compunction in taking steps to maximise the war effort; no excess in the measures adopted to this end, beyond the needs of the case; no prejudice in war policies to the peacetime policies that have still to be democratically decided; and no discrimination between one interest or industry and another. Above all, there must be frankness, plain statements, when powers are used, of the reason why, and clear assurances that the future will not be compromised by the temporary devices of wartime.

When this is said, all support is due to Ministers who are acting with boldness and vigour to multiply the war output. When Sir Stafford Cripps left his Cabinet place in the making of political strategy, he was commissioned to a key tactical position, the provision of aircraft and radio. He was set to deal with the growing pains of an aircraft industry that has grown more than twentyfold since the war began, now the biggest national industry and the crucial one for victory. Several firms, through complacency, inexperience, incompetence or intransigence, were in a deplorable state. He has acted with decision. Wherever his advisers have thought fit, he has put in a Government controller to safeguard output. In one case, that of Short Brothers, he has taken over the entire shareholding and secured a new board of directors. No effort of his to place

more and better aircraft in the sky should lack national backing. The only valid complaint against such deeds would be that they were needless or wrongly directed. This is the plea of one firm, General Aircraft Limited, which alleges partisan pressure upon the Minister of Aircraft Production by the so-called aircraft "ring."

It is impossible for lay observers to give any final judgment. Whatever quibbles there may be about what constitutes a "ring," there is a circle of "approved firms," formed twenty-five years ago, not to limit competition for Government orders, but to ensure that facilities would be available for Government production. These firms still form the upper and sovereign tier of the Society of British Aircraft Constructors. The vast wartime expansion has made any privileges this group may enjoy, apart from criteria of experience and efficiency, quite anomalous. Obviously the pressure of facts has long since shattered any exclusive claim by these firms to contracts; and if it is true that any of the many outside firms now working to build up British air supremacy had been hampered or victimised by the influence of the group, it would be an intolerable state of affairs. It is the duty of the Minister of Aircraft Production not to abate one jot or tittle of his resolution to make aircraft output full and efficient, but to answer in terms the charge that advisers, drawn from the "ring," have biased any of his actions. Whether the particular firm that has made this protest is efficient or not is a matter of fact, and can be stated to Parliament and the public without infringement of security precautions. So far the Government has given no detailed answer to these charges. Lord Winstanley has told the House of Lords that General Aircraft is a byword for inefficiency; and the official spokesman did not deny it. Lord Sempill, on the other hand, has told the peers that this was a case of the persecution of an efficient manufacturer and of official mismanagement. A specific reply is overdue, together with an assurance that technical decisions at the Ministry, and the apportionment of contracts, are not made by men who have grown up too closely inside the peacetime circle of approved aircraft manufacturers—a suggestion which is hardly borne out by the action which the Minister has taken to control a number of "ring" firms.

The resolving of doubts about the bona fides of the Minister's policy is simple enough. In this case, he must say, with evidence, that his action was necessary and unprejudiced; in official circles there seems to be no doubt about the firm's shortcomings. In the case of the "ring" firm, whose shares have all been taken over, he must say, again with evidence, that this was the only way to ensure a continuous supply, in quantity and in quality, of the heavy bombers needed; and the nation will rightly support him. More, perhaps, is needed in this

second instance. The Minister may show that the vesting of all the shares in Short Brothers was inescapable for war reasons; but the Government must still convince industry and the public that this war measure is without prejudice to the private or public control of aircraft manufacture after the war. Efficient wartime production and long-term nationalisation are two different kettles of fish.

Indeed, there is need for a general Government statement on these issues. A large part of the aircraft industry, in the shadow factories, is Government owned. A large part of all the war industries is Government financed. What is to be its future? It will aid, not impede, the war effort to make this plain. In aircraft operation, too, there are similar questions to be answered. The bulk of the Board of British Overseas Airways has resigned on the ground that the arrangements for the new Transport Command of the Royal Air Force do not afford sufficient guarantees for the Corporation to maintain and prepare civil trunk routes. Almost certainly here, too, the Government's answer, on the ground of wartime necessity, will be convincing. Nevertheless, it aids neither the war effort nor preparations for peace that these doubts should go undisputed.

What is needed, therefore, from the Government is not a reversal of policy, but an explanation. The Minister's brief replies on Wednesday did not satisfy. The overriding requirements are those of war. The Minister of Aircraft Production, the Minister of Supply, the Minister of Fuel and Power and the Minister of Production, all merit greater support, not less, in every effort to multiply war production by every means. The campaign which is starting, in the form of a prayer to annul Regulation 54 CA, to limit their power to impose direct control must not succeed. It has too long been held out as the duty of Ministers to enforce the highest standards of technique and management for carping criticism or interested opposition to stand in their path now. But they have duties as well as rights; and it is reasonable to expect that for every use they make of their far-reaching powers, good and sufficient reason should be stated. They are still Ministers responsible to Parliament. But, above all, the policy must go forward without fear or favour. It is unjust and inexpedient that, while aircraft factories are controlled, railway workers should be permitted to strike illegally with impunity, or that the major blot on war production, the coal industry, should still be left largely to its own devices, despite the grandiose scheme of control that was substituted for coal rationing last summer. If the Government is ready and able to justify the use it makes of the powers it has been freely given, and if it applies those powers without discrimination and at every needed point, then the country will ask for more, not less, of this offensive spirit.

Keystone of the Arch

MR EDEN has ended his work in the United States and gone on to Canada. His aim has been, not to make a treaty, but to find the largest basis for agreement between British and American views on both the war and the peace. He has conferred, as no British Cabinet Minister has done before, with unofficial as well as official opinion. He has talked with the President and his administrators; with party leaders and with publicists; with Service spokesmen as well as civilians; and with the representatives of Russia and China in America. His visit may prove a turning point in Anglo-American relations, upon which so much now and in the future depends.

"If the Anglo-American part of the puzzle can be fitted together, much of the rest will fall into its place; if it cannot the pieces will long remain a jumble." These words were quoted in a recent issue of *The Times* from an article by Mr Herbert Feis in the current number of the

American quarterly *Foreign Affairs*. Without the text of the article it is impossible to tell what was the immediate context of the argument. But whatever Mr Feis's intention, his words have a general application. They are true of every aspect of the task of world reconstruction, whether political or economic. That is why Mr Eden's errand of exploration is so important.

Bismarck predicted that the dominant political fact of the twentieth century would be that the American and British peoples speak the same language. The fact is certainly dominant, but Bismarck misconceived its significance. The common language is not so much the cause as the symbol of the links between Britain and America. If the tie rested on language alone, it would indeed be a strong one, though not strong enough to dominate world politics. But we have inherited so much else in common with the Americans of which our common tongue is only the vehicle. We have inherited an instinct for personal

liberty—perhaps the only peoples in the world who have freedom in the marrow of their bones are those who speak English. We have inherited feelings of toleration and decency. We have inherited a whole array of the things that go to make up an outlook on life. Even this is not the whole story. In every sector of the globe, American and British interests—commercial, financial, strategic and moral—are mixed up together beyond the possibility of disentangling. To the extent that this was not so—or was not seen to be so—before, it is manifestly so in a world of air power and economic warfare. The interests are not always equal in kind or in magnitude—for example, America cannot keep attackers away from its own soil except with British aid, while Britain cannot defend itself at all against total assault except with American aid—but the interests of each are identical in direction. Neither can attain the objects of its high policy without the other. A war between them would not be an international war, a conflict between rival systems of power; it would be an internecine civil war, and the end of any civilisation in the West. When the relationship between two nations is of this nature, and when those two nations are the most powerful in the world, it constitutes a political fact to which modern history has no parallel. Jointly, America and Britain can shape the world. Separately, they can only frustrate themselves. If America and Britain did not possess a common tongue and a common spiritual inheritance, it would be necessary to invent them.

These facts need re-stating at this moment with all emphasis in each country alike, for in each country there is some tendency to overlook them. The need for Anglo-American co-operation is a platitude; but a platitude, as Lord Baldwin once said, is a truth that has been forgotten. In England, for example, the source of distraction lies in the more extreme implications that some people read into the Anglo-Soviet Alliance. That Alliance is one of the main foundations on which hopes for a firmer peace must be laid. It was certainly not intended to be in any way directed against the fullest understanding between the British Commonwealth and the United States. It will not, in practice, work out as an obstacle to British-American collaboration—unless its more ardent devotees make it so. But that is exactly what they have recently been doing, some wittingly, others unwittingly. One of the leading and most influential advocates of an Anglo-Russian policy for Europe has recently written in terms that have suggested to the Americans (however mistakenly) that they are being warned off the grass. It would be as disastrous to imagine that Britain and Russia will, by themselves, be strong enough to impose their wishes on Europe as it would be to imagine that Europe is the only continent with which post-war policy need be concerned.

Our Russian friends and allies are so accustomed to using blunt speech about Britain that they will forgive a little direct language in return. The major aim of British policy, during the war and after, is to remain on terms of

intimate collaboration both with Russia and America. If ever a choice is necessary between the two, it will be an irretrievable disaster for British diplomacy. But if that choice has to be made, it must not be supposed that the new Anglo-Soviet friendship, deep and sincere though it is, can take precedence over the ties of blood, speech, faith and interest that tie us to America. In this war, we rely on Russian aid for victory—and no words will ever discharge the debt of gratitude. But we have relied, over a longer period, on American aid for survival. We shall rely, after victory is won, on Russian co-operation to prevent another war. But if another war comes, we shall need American support to avoid defeat. Premier Stalin has entered into the alliance in a spirit of far-sighted realism, without any sentimental delusions. It is essential that we do the same.

The distraction in America takes other forms. In part, it is a popular affection for China almost as strong as the British popular emotion towards Russia. In part, it is the twisting of the lion's tail, chosen as the softer option by those Opposition politicians who do not quite dare to make an open attack on the foreign policy of the President. In part, it is merely the familiar irresponsibility of American public life, which prevents the best-intentioned publicists from appreciating the wider effects of their criticisms. But, whatever the cause, it is undeniable that there has been a tendency in recent months to forget that Britain is, on the record and by virtue of the facts, by a wide margin the principal ally of the United States, the only one that is fighting all its enemies, the one on which it must chiefly rely for assistance in carrying out its policies in war and peace. There is even a tendency among some sections of opinion which cannot possibly be represented as isolationist—among some of Mr Willkie's friends, for example—to speak of the United Nations almost as if it were an alliance between America, China and Russia, to which Britain could gain entrance only by repenting of its "imperialist" sins. This view is not that of the majority. Perhaps it only has to be taken seriously to be repudiated by its authors. But too much talk of this nature, even if it is only quizzical in intention, assists the unthinking to forget the facts of life among the nations.

There is no shadow of a suggestion in what has been written here that there should be anything exclusive about the British-American relationship. On the contrary every conceivable means must be taken to foster friendship and respect between Britain and Russia, between America and China. Let there be a cross-fertilisation of affection between every pair of the 30 United Nations. But let no one shut his eyes to the fact that there is, and can be, but one keystone of the arch which will hold the structure together once the immediate task is completed, and that is the willingness of the United States and of the British Commonwealth to walk together in majesty and understanding.



EQUITY & LAW
LIFE ASSURANCE SOCIETY

Established 1844

PROTECTION IN WARTIME

● Civilian War Risk Cover without additional charge is normally granted under new Whole-Life and Endowment Assurances — whether With-Profit or Without-Profit.

● A Guaranteed Bonus each year until 1946 inclusive is provided under all new With-Profit Policies — thereafter Bonuses are dependent upon Profits.

Head Office: 163/4, STRAND, LONDON, W.C.2
(temporarily transferred from 20, Lincoln's Inn Fields)

Telephone: TEMple Bar 0381

Ways and Means

WHEN the Prime Minister broadcast his Four Year Plan, his purpose was twofold: first, to show that the Government has a policy in the making; and, secondly, to show that there is a broad basis of agreement among all parties on the objectives to be sought. The list of objectives he gave was intended to demonstrate that, about the main aims—social insurance, full employment, agriculture, national health, education, rebuilding and price stability—there need be no quarrel in principle. To state principles, however, is only the first stage of policy-making. Policy is not made until ways and means have been worked out, until the agreed principles have been translated into practical and quantitative terms—on which agreement may not be so wide. How are these things to be done, and how much will they cost, in terms of real resources as well as of money?

Obviously, Mr Churchill could not possibly have gone into these details. The important thing is that the details should be being worked out, so that their administrative, economic and financial implications should be known and related in a single programme. What evidence is there that this process of getting down to brass tacks—defining principles, devising methods, and calculating costs—is going on in step? The three examples of social security, building and agriculture may be taken. The Beveridge Report, of course, was a practical and quantitative document. It set out ways and means in terms of both administration and cost. But the Government has so far committed itself neither to the principle of the prevention of want nor to the administrative reorganisation involved in a Ministry of Social Security nor to the tentative scales of charges laid down in the Report. There is still no policy. For building, there is already a quantitative programme implied in the recent White Paper on the drafting of building labour. But, even apart from doubts about whether the scale of building envisaged is practicable in relation either to the demand for building or to the total supply of resources and finance for all purposes, including building, there is still no clear Government policy, either on principles or on methods. A year ago, Lord Reith did announce that the Government would study and concert the methods needed to achieve the objectives laid down in the Barlow Report, namely, the relief of congested urban areas and the de-centralisation of industries and population. But the Scott and Uthwart Reports, both of which were made to indicate the steps necessary to carry out this policy, are still in the pigeon-hole. If the building programme implied in the White Paper is prepared without Government decisions on the planning powers and compensation methods recommended by these three reports, it will be executed in the same unplanned and unsatisfactory way as building was after the last war. Local authorities, who are being urged to prepare their housing schemes, will have no alternative to the line of least resistance; and another and more grievous Barlow Report on congested and depressed areas will be needed twenty years hence.

The third example of the need for precision, and, in some ways, the most important one, is agriculture. In his broadcast, Mr Churchill spoke of the need to maintain both the expansion and improvement of farming and a reasonable level of prices; and he gave the warning that this double policy would involve "substantial charges" on the state. It is important that the nation should be given some idea of the order of magnitude of the charges contemplated. About the broad objectives of any agricultural policy, there is a surprisingly wide measure of agreement. Most recent statements on agriculture, whether from impartial sources, like the recent peers' memorandum, or from organised farmers, like the interim report of the National Farmers' Union, have shown this. They concentrate on the double goal of prosperous farm-

ing and an efficient and reasonably cheap supply of food to consumers. They agree on the need to preserve farmers in the future from the fluctuations in prices and in the size of their markets that proved so disastrous in the past. In general terms, their recommendations add up to the policy which has often been stated, in somewhat plainer terms, by *The Economist*—increased wages for agricultural workers, stable prices and assured markets for agricultural produce, and adequate returns to enable farmers to maintain their capital. These are the agreed principles, but the crucial questions are how are the principles to be applied, and how much are they to cost? This is where controversy creeps in.

The Prime Minister made two points of great importance in his broadcast. First, this country has to purchase a large proportion of its food and raw materials overseas. Secondly, Britain has grown great on cheap and abundant food. He might have added a third; that, in the future as in the past, the prosperity of industrial Britain, and its standard of living—symbolised in the Prime Minister's speech by his references to milk for babies and to "modern methods of locomotion and the modern amusements of the cinema and the wireless, to which will soon be added television"—will continue to depend on cheap food and raw materials. Because this country is comparatively wealthy, it is possible to contemplate charges, over and above the cost of obtaining its food freely and impartially from all world sources, in order to maintain a prosperous and efficient agriculture of limited size. But the charge envisaged must be worked out and made known and the size set in precise quantitative terms. The heresies of Mr Hudson, who once implied in a speech that the more the people of this country pay for their food, the better off they will be, must not slip into the drafting of policy behind a cloud of good intentions.

What is needed first of all is a clear understanding by both the farmers and the Government that it is not possible to secure higher incomes for all the participants in the agricultural industry, and at the same time to increase the numbers engaged and the volume of production, without imposing a charge upon the public, in the shape of higher taxes or higher prices, which it will be neither willing nor able to bear. Agriculture can, and will, be subsidised for social and political reasons; but it can only be subsidised to a limited extent. No doubt, the advance made in technical efficiency during the war, under the pressure of shortage of manpower, may make a little larger the size of the farming industry that can stand on its own feet—the size of the output, that is, obviously not of employment; but it does not materially alter the nature of the problem. Economically, the question is not simply one of comparison between the efficiency of resources used in farming in this country and the efficiency of resources used in farming elsewhere; it is a question of the relative efficiency of resources used in agriculture or in industry in this country. The need after the war, when overseas income from investment and other services will be smaller, will be to concentrate even more than hitherto on the pursuits which can be done most profitably and most productively in this country; and these pursuits are still overwhelmingly industrial and commercial. The remarkable productivity of British war industry, referred to by Mr Churchill, has provided yet another and unchallengeable proof of this. If Britain had adopted a deliberate policy of restriction and autarky before the war, in order to maintain a large domestic agriculture, the war would have been lost three years ago, because so much of the manpower which has produced the aircraft, the weapons, the shot and the shell that saved the day would instead have been engaged wastefully in the countryside.

Let it then be accepted that the policy of guaranteed prices, markets and wages has come to stay in British

agriculture. But, at the same time, let it be known what the limits of this policy are to be. There must be limits, and they must be close ones. The programme which the farming industry has from time to time indicated might have cost this country something like £200 millions a year in subsidies, the remission of taxation, prices above world level, minimum wages and guaranteed markets had it been applied before the war. Is a programme involving a cost of this order, or higher, envisaged for the post-war period? The public is entitled to know the answer to certain questions. How large is the "substantial charge" to be? How is it to be raised, by taxes which are known and above board or by duties

The Middle East—III

The Federal Solution

NOW that the tides of war have, for the time at any rate, receded from the Middle East, the people of that wide region are beginning to ask what is going to come out of the struggle in which they have all been more or less involved. Few of them are in a position to decide single-handed their own part in the shape of things to come. They are looking to the Great Powers for some indication of their policy. The starting point must, of course, be the situation created by the war itself. And here the need has clearly been demonstrated for the regional organisation of the Middle East for defence, economic development and social policy.

The war has also shown that no such outcome is likely unless the Great Powers lend a hand. Britain has least chance of escaping responsibility. It has direct responsibility for Palestine and for Transjordan; it is linked by treaty with Egypt, Iraq, Persia and Turkey; and, by its behaviour during this war, it has earned a big capital of goodwill. It has protected Egypt without involving it in the war. It has not used the Rashid Galieni revolt to extort political concessions—on the contrary, the armistice with Iraq was a model of restraint. With Turkey especially, Britain's relations are more cordial than they have ever been. At the same time, everything that goes wrong in the Middle East will automatically be laid at Great Britain's door. It is very easy to dissipate reserves of goodwill.

What can be done? Ideally, of course, the solution would be a political federation and economic union of the whole Middle East. But this is probably not practical politics at the present day. There exists very little sense of a common purpose, for the pan-Arab movement is a strong factor only among those Arabs who have not yet attained political independence. It stands not so much for the union of Arabs among themselves as for the co-operation of Arabs against the outside world. Even in this negative sense, pan-Arabism means nothing to either Turkey or Persia. The leadership of any Middle Eastern federation is an insoluble problem. The Turks, the Persians and the Egyptians might claim it, each on the grounds that they are heirs of great empires, or Turkey, and to a lesser extent Egypt, on the grounds that they are developing into powerful modern states. Family difficulties complicate the position of Iraq and Saudi Arabia. Ibn Saud established his kingdom by driving out the Hussein family, who now rule in Iraq and Transjordan. There are many unsettled disputes—whether Transjordan or Saudi Arabia should control the port of Akaba; the boundary question between Iraq and Persia in the Shatt-el-Arab; the settled but perhaps still uneasy problem of the Mosul oilfields; and, worst of all, the problem of Palestine. The Middle East is rather like the Balkans, where an overwhelming need for political and economic union has always been frustrated by frontier quarrels, minority problems, and religious differences.

A positive beginning must be made, and British responsibility is strong. A start might be made by

and other means which are indirect and do not appear in the national accounting? How is it to be spent, by maintaining earnings in an efficient and prosperous industry of limited size or by maintaining a swollen army of earners at a lower and unsatisfactory level? Is it fully realised that the better Britain envisaged in all plans for social security, public health, child and maternity welfare, is entirely dependent on the provision of an adequate supply of cheap and nutritive foodstuffs? If the right answers can be given to these questions, in precise terms, then the three-fold process of policy-making—the statement of needs, the preparation of methods and the calculation of costs—will have been carried through in agriculture at least.

restoring the unity of Syria, not the French Syria of recent years, but the Syria of history, which includes Syria, the Lebanon, Palestine and Transjordan. The setting up of such a union would not frustrate the larger purpose of Middle Eastern federation, but could be a stepping stone towards it. At the same time, it might perhaps help to adjust the wellnigh insoluble problem of the Jews in Palestine. Not much news comes out of Palestine these days, but there is reason to fear that under cover of the war the extremists on both sides have been growing more intransigent. The Arab extremists want Palestine as an Arab state, the Jewish extremists, backed by influential Zionist circles in America, want a Jewish state. Neither solution is possible without the extermination of the minority that loses. The views might be considered of the distinguished Hebrew scholar, Dr Magnes, Chancellor of the Hebrew University at Jerusalem, the central figure of a group of Jewish and Arab moderates and himself an outstanding spokesman of the moderate cause. Dr Magnes urges the setting up of a federation of Syria, in which Syria, Lebanon, Transjordan and a bi-national Palestine would be the constituent states. The core of this is obviously the acceptance for Palestine of a bi-national—or one might almost say Swiss—constitution.

Such a scheme turns upon the problem of immigration. The Jews, even the moderates, are not ready to accept a complete prohibition on further immigration. Dr Magnes suggests that a degree of Jewish immigration could be combined with the preservation of the Arabs' majority position by the setting up of the larger, "Syrian" federation in which Arabs would be assured a permanent majority. In 1936 an offer was made to continue the immigration of Jews, but to control it to 40 per cent of the total population. When the plan was made, the Jewish population numbered four hundred thousand. It was estimated that by 1946 the Jewish population could be twice the original figure without jeopardising Arab predominance. It is especially important that the British Government should make some statement on its immigration policy. Uncertainty whether in fact it intends to abide by the 1939 White Paper has given rise to extravagant hopes and extravagant fears on both sides.

Another possible step towards Middle Eastern federation would be the strengthening of the Saadabad Pact between Turkey, Iraq, Persia and Afghanistan, which was automatically renewed for another five years at the beginning of this year. At present, it is an innocuous non-aggression document and is incomplete. With the addition of Egypt, Saudi Arabia and a new Syrian federation, it might become a regional security grouping within a larger world system.

One of the difficulties the Great Powers must face in proposing constructive policies is strong suspicion of their motives. Each Middle Eastern state is jealous of its independence. The cry of imperialism may easily be raised. The most hopeful way of meeting such suspicions would

be for the United Nations to plan their help in such a way that its economic and social advantages can be clearly demonstrated. It is impossible to divorce political schemes of reconstruction from plans for economic help. In the Middle Eastern Supply Centre, the British and the Americans have an instrument for encouraging the development of the Middle East. Projects for irrigation, flood control and electrification could be expanded; many suitable areas actually cross national frontiers, and the establishment of mixed national boards to control them would be a step towards the federal ideal.

The MESC has given help to the development of transport, though on the whole this has been in the hands of the military authorities. Its experience could be used for wider schemes after the war. The advancement of technical education in all these countries by the setting up of technical institutes, research centres and model farms would begin to diminish the lack of balance between the economic and social status of the various communities. At present, the young men who receive education tend to become either professional politicians or lawyers, with nationalism as their stock-in-trade. A new class of young man, trained constructively to play a part in building up the prosperity of the Middle East, would have a wider political outlook.

For the financing of the different schemes, a variety of methods is possible. Two might be adopted without great delay. One of the great difficulties of coping with the problem of hoarding, shortage and inflation in the Middle East at the moment is the excess of purchasing

power. This excess presses on the price level and is dissipated in building projects, the purchase of jewels or, as an Arab farmer was heard to say, "in the buying of more animals and wives." If it were possible in the very near future to float an international loan for long-term development schemes in the Middle East, to be carried out under the direction of the MESC, much of this purchasing power could be mopped up and a solid foundation laid for the MESC's future activities. The other possibility lies in the fact that although the oil of Iraq and Persia is controlled by their Governments, it belongs to English, Dutch and American companies. By mutual agreement, it might be possible to plough back a certain proportion of the oil revenues into the Middle East for joint projects to raise the level both of prosperity and of education.

All these schemes, political and economic, depend upon the energy and influence of the Great Powers, and particularly of Britain. It is important that the British should have an administrative machine in London capable of providing the necessary drive. The work of the Minister of State at Cairo and the MESC at present tends to be confused at the London end by the diffusion of their sphere of action between several Government Departments. If the MESC and the conception of regional control and development are to survive the war, two things are necessary: long-term policy-making by the United Nations in which Britain must give a lead; and an administrative organisation well integrated and flexible enough to meet the demands which long-term planning will make.

NOTES OF THE WEEK

The Mareth Victory

General Montgomery's victory on the Mareth line was due to a brilliant outflanking operation. The difficulties of terrain and communications overcome in the sweep to El Hamma serve to stress the exceptional character of this feat of arms. While the Eighth Army was still probing the Mareth line in the frontal attack at Wadi Zigzaou, Rommel was probably still sceptical about his opponent's chances to get at his El Hamma flank. German sources claimed that the British outflanking move had collapsed with heavy losses, and it is true that the first attack at El Hamma led to no conclusive results. But while Rommel was busily engaged in re-establishing his positions in front of Mareth, General Montgomery managed to reinforce his column at El Hamma and provide it with sufficient punch to succeed. Rommel had to abandon the Mareth line as suddenly as he had previously had to leave his positions at El Alamein. Some military experts were still debating how long he would be able to keep the Gabes gap, when the Eighth Army had already by-passed that gap and occupied Gabes and Oudref, on the road to Sfax. This phase of the fighting ended earlier than was expected. The next phase depended largely on the timing of the complementary moves of the Americans. The net in which the Axis forces had been caught had still a hole at the northern end. The Americans had not yet forced the distance from Maknassy to the coast. Rommel's aim was to escape through it before the Americans and the British could join hands in the south, and he was therefore more likely to try to by-pass the Americans at Maknassy than to strike at them, especially as he was already in danger of being shut in further to the north, by a new American advance from the Kairouan sector. The feature of the campaign so far has been the intense activity of the air forces in close co-operation with the attacking land armies. The coastal road to Sfax, crammed with retreating enemy columns, has provided a most sensitive target for all the technical resources of offensive bombing, and the reported naval bombardment of Gabes has turned the fighting into something like a combined operation. On the northernmost tip of the front—the scene where the last round will take place—the First Army has recorded a notable success by the recapture of Sejenane and an advance towards Mateur.

Saving Ships

All official spokesmen are agreed that the Achilles heel of the war effort is the war under water; but they speak with two voices about its progress. The Minister of Agriculture says that the shipping position is worse now than it has ever been. The Service Ministers, including the Minister for Defence, speak more encouragingly of the large and mounting excess of new building over losses, and of the growing successes of attacks on U-boats. The point is, of course, that these Ministers are talking about two different things. It is true that shipbuilding is going ahead astonishingly in the United States, and that U-boat sinkings are steadily on the increase. But it is also true that, judged by the crucial test, the rate of arrival and delivery, the bottleneck is narrower than ever, if only because of the greater shipping needs of this stage of the war. The bottleneck can only be split apart by mastering the U-boats. A newly aggressive policy is being pursued; escort vessels are at last coming forward in larger numbers from both sides of the Atlantic; and there is improved Anglo-American co-operation. But, meanwhile, the bottleneck can be eased by economising shipping space still further. In the main, wastage is indirect. The direct wastage of shipping due to bad organisation or to *bêtises* like the importation of high-powered cars or cement into this country has greatly diminished. Indirect wastage due to faulty agricultural and food policy has also diminished, but not yet by enough. Even last year the structure of prices and production sponsored by the Ministry of Agriculture still did not take fully into account the fact that, in terms of calories, it is ten to twenty times better to grow food for human use than to grow fodder to maintain livestock herds. An increase under crops of some five to six million acres has been mainly used to feed animals, including the feeding of barley to cattle. One estimate, of a somewhat speculative kind, has put the indirect wastage of shipping space because of an ill-balanced agricultural policy at nine million tons in 1940, six million tons in 1941, and three million tons in 1942. On this basis, the remaining room for improvement is plain. The Ministry of Food has done better than the Ministry of Agriculture. It has erred in the past not so much in balance or direction as in speed. Most rations, in the early stages of the war, were introduced too

tardily. Recently, its programme has been well rounded and effective—except for bread. Here the alternative policies of raising the ratio of extraction from grain, of adulterating wheat flour with other substances, and of rationing, stayed too long under consideration. The first has been done. The second has been started on a small scale. The third is still being toyed with. If bread rationing, or a more drastic use of the alternatives, could effect a saving of 10 per cent at the moment, when saving shipping space is more urgent than it has ever been, it would be a major contribution to victory.

Big Numbers

The billion—American-style, a thousand millions—has become a mere unit in wartime financial statistics. Total supply expenditure in the financial year 1942-43 which ended on Wednesday was just over £5½ billion; total ordinary expenditure (including interest and management of debt) was over £5½ billion; and total ordinary revenue was over £2½ billion. (The figures are given in full on page 445.) The most remarkable feature of the latest return is the size of revenue. Astronomical expenditure is taken for granted nowadays. The days before the last war when the total budget was still less than a scant £200 million now only seem a far cry; they have been forgotten. The present rate of expenditure of £15½ million every day is the measure of a total national effort in a total war. It will not diminish until the war is over, and will very likely increase slightly. Moreover, postwar budgets, which will measure the modern responsibilities of the state for the peacetime common weal as well as for defence, will be very much nearer £2 billion than £1 billion—compared with just over three-quarters of a billion in 1929-30. The level of state expenditure rises steadily from war to war (before the Boer War it was about £100 million) with the extension of Government functions and the expansion of the national income: it was nearly doubled between the 'nineties and just before the last war; between then and just before this war it was quadrupled; after this war it will probably be double again. But, even in the presence of these formidable historical forces, a total ordinary revenue of over £2½ billion from taxation and other receipts (excluding the Canadian Government's contribution of £225 million) is a staggering fact. It represents £54 per head of the population, man, woman and child. Income tax alone represents more than £20 per head; it has passed the billion mark, compared with just under a quarter of a billion in 1929-30, just on a third of a billion in 1938-39, just over half a billion in 1940-41—and .044 of a billion in 1913-14. It is a striking achievement to have met half this vast expenditure out of revenue; and, although he has obtained a 10 per cent increase over the estimated yield from Customs and Excise in 1942-43, the Chancellor of the Exchequer may think twice before he squeezes the consumer, in this indirect and regressive fashion, still further in 1943-44—though the deficit in 1942-43 was over £2½ billion and the National Debt stands at more than £16½ billion, compared with £8 billion before the war and .65 of a billion before the last war.

Distribution Debate

In a letter to *The Times*, on March 24th, Mr Samuel Courtauld opened a discussion about the need for securing greater efficiency in the distribution of goods as a means of bringing down costs to the consumer. Hitherto attention has been focused mainly on manufacturing costs, notwithstanding the fact that, on an average, something like half the price paid by consumers is absorbed in the process of distribution. Mr Alan J. Sainsbury finds the explanation of the high level of distribution costs mainly in the expansion of employment in distribution, and in the more elaborate services demanded by the public; but he draws attention to the marked difference in turnover per person employed by the retail trader in the main shopping centres on the one hand, and in the "back street" on the other. Professor Hermann Levy and Mrs Joan Robinson are, understandably, not satisfied with this simple explanation. High distributive margins in many retail trades, says Professor Levy, have been the result of agreements between industrial combines and their respective trade organisations on the one side, and retail trade associations on the other. Mrs Joan Robinson rightly poses the question:

Is it not rather the case that high distributive margins caused by the decline in competition and the growing prac-

tice of price-fixing attracted an unnecessary number of people to the job of selling?

In her view, high prices are not so much the consequences of higher costs, but the rise in costs is the consequence of high prices.

Free Choice

The need for greater efficiency does not stop at the manufacturing end. It is equally urgent in the transit of goods from producer to consumer. The way out is surely, in part at least, by eradicating the evil of price-fixing in all its forms, and by increased efficiency in distributive methods. There was progress in the technique of retail distribution before the war. The multiple stores, for example, showed what could be achieved by large-scale organisation of manufacture and distribution from the retail end. At the same time, the need for reducing distribution costs should not be used as an excuse for squeezing the independent retailer out of business by unfair means. The consumer is entitled to buy where and from whom he pleases, and convenience or habit will guide his steps, as well as economics. As Mr P. G. Arthur, of West End Stores, has pointed out in *The Times*, the "back street" trader is the housewife's larder. The important point is that his choice should be genuinely free, and not rigged by organised interests. The independent retailer will still have an important part to play in catering for special demands, and any discrimination against him by political or other pressure would be intolerable. It is unfortunate, as the Leeds and District Chamber of Trade has argued, that some of the smaller multiple firms should seem to be abusing the licensing procedure under the Location of Retail Business Order by purchasing independent retail businesses on first-class sites at prices which are at present attractive to the occupier. The effect of this, says the Chamber, is that after the war the multiple firms concerned will be strongly established on excellent sites, and the independent retailer, who has suffered most from the war, will be penalised.

Second Round

Having failed to defeat Mr Bevin's Catering Bill by frontal attack, the critics, led by Sir Douglas Hacking, resorted to tactics of attrition and obstruction. Some 200 amendments to the Bill were tabled and four whole sitting days were timetabled for the Committee stage. Mr. Maxton pertinently asked the Prime Minister whether it was really in the national interest to spend so much House of Commons time on the Bill. The Conservative amendments were mainly directed at limiting the Minister of Labour's powers, restricting the functions of the Catering Wages Commission and changing its composition. Instead of appointing Members who were not directly connected with catering, it was suggested that four representatives of both sides of the industry should serve on the Commission. Another amendment urged the deletion of the provisions empowering the Wages Boards to deal with matters affecting the "efficiency and development" of the in-



dustry. Another wanted to substitute the word "comfort" for "welfare"—an example of quibbling. On the first sitting day, after five hours' debate, only the first clause of the Bill had been carried—without a division—and only three amendments were considered. The first, raised by Mr Loftus, for the exclusion of family businesses from the scope of the Bill, was defeated by 214 votes to 70, the opposition having thus dropped in strength by 46 from the vote on the second reading. By the second day clause 6 had been reached—after a lengthy debate on the pros and cons of tipping. The Minister pointed out that one of the Commission's functions was to deal with tipping. Mr Bevin, throughout the debates, was imperturbable. He denied that there was any question of "sweating" in the trade, but repeated what he had said in the earlier debate about the desirability, from the point of view of postwar employment, of regulating catering workers' wages, hours and conditions. Once the Bill has been piloted through the House—and, on Thursday, the critics, realising that the Government could not be deterred, and would not be content to be obstructed for much longer, very wisely and sensibly made it plain that they were tiring of their Horatius rôle—the Minister may be able to give his full attention to a matter which has been exercising many minds and has been given a good deal of prominence in Parliament—the position of industrial catering staffs. The National Joint Industrial Council of the Industrial Catering Trade has repeatedly asked for the application of the Essential Work Order to all works canteens: at present, anomalously, those run by outside caterers are not scheduled and there have been many complaints of staffing difficulties. Mr Bevin has so far been unwilling to apply the Essential Work Order, for no very convincing reason, until the general catering problem has been settled.

Africa and Carlton Gardens

The reorganisation of the North African administration seems to be in full swing, and the direction it has taken has so far been altogether satisfactory. The transfer of M. Bergeret from the post of Secretary-General to a purely military post at Dakar, and the dismissal of M. Rigaud, have been followed by an overhaul in the lower ranks. The principle officially adopted has been to reinstall in administrative posts those Frenchmen who were "purged" by Vichy on account of their political "disloyalty" or racial origin. At the same time, the municipal bodies elected in 1940, and disbanded afterwards, have been called back to life, though M. Peyrouton's letter to the prefects has revealed to what an extent the position still remains abnormal. He has appealed to the prefects to "forget the circumstances which had caused the suspension of the elected municipalities," and asked them to give the necessary authority to the revived councils. General de Gaulle's statements are no longer ignored by the North African press and radio. The impression is that General Giraud is conscientiously clearing the ground for French unity. The contribution of General de Gaulle's headquarters towards the same goal is less clear. True, General de Gaulle himself has announced his imminent departure to North Africa, and General Catroux, his emissary, has arrived in Algiers for preparatory conversations. But the latest reports again speak of a postponement of the meeting between the Generals for several weeks. More important, the claim to exclusive leadership has not been given up by Carlton Gardens, and it is being supported by a curious kind of a plebiscite carried out as if on behalf of the French people by General de Gaulle's entourage. The unfortunate formula of M. Philip, that the "French people has already chosen its leader," is being repeated over and over again. Last week the French trade unionist, M. Guigui, recently escaped from France, assured the press that "the French Republic will organise itself around General de Gaulle and the National Committee." This sounds somewhat strange coming, as it does, from Socialists and trade unionists, who ought perhaps to realise that a republic or a constitutional monarchy cannot possibly "organise itself around" one exclusive leader, no matter how great his military and political merits.

The Best Organised

Last week-end, Mr Bevin lifted another corner of the veil over the mobilisation of Britain's manpower and womanpower. He stated that nearly three-quarters of a million men and women of pensionable age were at work. Most of

them presumably have either continued in their former occupations, or taken the place of those who have been called up to the services or war work. Thus, the figure is of greater interest in a Beveridge context than in a war effort one. Since the total number of men and women of pensionable age is about 4,500,000, it means that some 17 per cent have opted to work rather than live on their old age pensions. This, of course, may merely reflect the contrast between wages and pensions in wartime conditions. It does not follow that pensioners will be willing to continue in work in order to achieve an ultimately higher pension at a time when there will be less demand for their services, and when the initial rate of pension will be higher than at present. The other manpower figure given by Mr Bevin referred to single women of calling-up age. Ninety out of every hundred, he said, were on munitions, in the Services, or doing work of national importance. Obviously, the significance of this depends on how widely he intends the phrase "national importance" to be read. If, as is probable, he gave it the same meaning as his officials do in the calling-up of women—which is a pretty wide meaning—one is tempted to ask where is the missing tenth? Part of it will be physically unfit; another section will be unmarried mothers; some presumably have had their calling-up deferred on hardship grounds; but have some escaped the net altogether? Nevertheless, this criticism does not alter the fact that Mr Bevin can be justly proud of the mobilisation of Britain's manpower, which he described as the best organised in the world. Is it not, then, time that a complete picture, even if the details are left out, of the distribution of Britain's manpower was given to the world?

Northern Ireland Politics

The present Unionist Government in Northern Ireland has been in office continuously since the partition of 1921. This continuity of Unionist administration is not surprising. The Nationalist party is opposed to the whole conception of a separate government in Northern Ireland, and for the most part Nationalist members of the Ulster Parliament abstain from attendance or from any active part in Parliamentary proceedings. The number of Labour members is only three, and they are sharply divided among themselves. But not only has there been a Unionist administration for nearly 22 years, there has also been a minimum of change in the personnel of the Government during this period, other than that occasioned by death or ill-health. It is not altogether surprising, therefore, that there should have grown up within the Unionist party itself a demand for the reconstitution of the administration on a wider and more popular basis. The experience of the Government at by-elections since the war started has been distinctly unfavourable. Two Unionist seats in the Ulster Parliament have been lost by the Government in the only two by-elections that have occurred—one to an Independent Unionist and the other to Labour. Two recent by-elections for the Imperial Parliament resulted in one seat being lost to Labour. These election reverses have alarmed sections of the Unionist party. Moreover, the action of the Government in carrying out a measure of reform in the Belfast Corporation has increased its unpopularity in certain quarters. In addition, there is a genuine feeling that on account of the age of several of its members, it would be wise to introduce fresh blood into the Cabinet. The weakness of the movement for reorganisation within the Government is that it rests upon no particular movement of opinion in the country as a whole.

There is the further circumstance that in wartime the real power of the Northern Ireland Government has been considerably curtailed. A large number of matters for which the Government is technically responsible under the Government of Ireland Act are, in fact, being carried out under Defence Regulations, for which Ministers at Westminster are responsible. It is increasingly apparent, however, that if a separate Government is to continue in Northern Ireland after the war as an effective administrative machine, then there are a large body of problems which will require vigorous and constructive handling directly the Government of Northern Ireland is once again responsible for its own destinies. In wartime, a policy of acquiescence in whatever steps are considered necessary by the Imperial Government in the interests of the war effort is the only policy that a Unionist Government in Ulster can pursue. In the task of rebuilding the economic life of Ulster after the war, however, it will be necessary to provide definite leadership in Northern Ireland itself. The only alternative is government from

Whitehall—in fact, if not in constitutional form. Meanwhile Unionist back-benchers in the Ulster Parliament have been responsible for two private party meetings at which, it appears, proposals for the reconstitution of the Government have been canvassed.

The State of Denmark

The general election held in Denmark on March 23rd became a demonstration in favour of patriotic unity and passive resistance. The National Coalition Government secured 140 seats, and the loyal opposition, the *Dansk Samling*, three seats, out of a total of 148. The Danish Nazi Party, led by Fritz Clausen, held its three seats, and raised its poll by 12,000 votes; the semi-Nazi Farmers' Party lost one seat and 26,000 votes, and now sends only two representatives to the *Rigsdag*. These results were achieved in a record poll of 90 per cent of the electorate. Within the Government, the Social Democrats gained two seats and the Conservatives five seats. The German interpretation is that a vote of confidence has been given in the course of collaboration which Hr. Scavenius is alleged to be pursuing; and that the holding of freely democratic elections within Nazi Europe shows that the New Order is no straitjacket. But all reports from Denmark suggest that the election was, in fact, viewed—by nearly the whole of the electorate—as a demonstration in favour of national independence and democratic procedure. Fritz Clausen and the threatened advent of a Reich Commissioner were met by an emphatic "No," despite a hectic election campaign and some attempt to juggle with results by purchasing votes. The public hung out the Danish national flag, and celebrated the results as some eye-witnesses have pointed out, "as if the war was over." Actually, the Danes no doubt realise that, however much Dr. Goebbels may try to put a good face on the election results, there is certain to be a simultaneous attempt to put the screw on. The establishment of a Ministerial Department to watch the interest of the German minority, on the pretence that they are inadequately protected through normal democratic procedure, is a threat to undermine parliamentary government. Neither Denmark nor the Allies must be deluded by the superficial tolerance with which Hitler has so far treated the Danes into forgetting that the nation is as completely in the Nazi grip as Poland, Norway or Greece. Passive resistance and sabotage, moral dissociation from the New Order have been growing. It is not the fault of the Danes that in their country the wolf has worn sheep's clothing. The Danes who last week voted against Hitler displayed an enduring confidence in their values and institutions. There is nothing rotten in the state of Denmark.

Daventry Calling

Sir Richard Acland is persevering and persistent in his attempts to win back the vote for the vast number of electors who have been disfranchised by the war. This week it was Daventry's turn for a writ to elect a new Member—to take the place of the late Speaker—and Sir Richard formally opposed the motion. Again, he was easily defeated, but there were signs that the force of his, and his supporters', arguments and his determination are beginning to have some effect. Arguing the case of the general by the particular, in order to keep within the Speaker's ruling, Mr Cocks pointed out that Daventry had suffered from its proportion of the people who are estimated to have left their constituencies since the war began; that there are in Daventry a large number of young men and women who have reached the age of 21 since 1939, but have no votes; that there may be in Daventry pilots who saved the country—and Parliament—in the Battle of Britain, but who cannot vote for Parliament; and that the people of Daventry realise that the House of Commons is old and stale. Mr Churchill's reply was not very encouraging. But he did say that the Government is considering actively whether eligible persons can be enabled to vote at by-elections, that it is the Government's wish that they should be enabled to do so, and that a statement may be made before Easter. He warned the House, however, that at present "the prognosis is adverse," and it is not likely that any reform will be made at present. But Sir Richard's persistence will at least have prevented the case for new electoral registers in constituencies holding by-elections from going by default. The fact that any solution will necessarily be imperfect should not prevent the search for some improvisation which, at the least, would be preferable to the present intolerable state of affairs.

Export Merchants' Policy

The National General Export Merchants' Group, formed at the request of the Board of Trade in 1940 to assist in the export drive that was then necessary to secure foreign exchanges, has submitted to the Government a report on post-war trade policy. The report is confined to principles and contains nothing that is new; its interest lies in the emphasis the Export Merchants' Group places upon the conditions that must be fulfilled if overseas trade is to prosper. Not unnaturally, the first concern of the Group is to stress the importance of the merchant in Britain's export trade. Before the war, some two-thirds of all the exports from this country were handled by merchants. On the ground that the distribution of commodities requires qualities distinct from those needed for production, and, in general, can be carried out more efficiently and cheaply by specialists, it criticises the present tendency of many manufacturing industries to establish their own export organisations. Merchants cannot claim the overseas distribution of goods as a preserve. They will have an important part to play in the future, especially in handling the output of small firms; but direct selling, by individual firms or by groups of firms, should not be discouraged. The other main recommendations include the stabilisation of exchange rates, buttressed by exchange control; multilateral, as opposed to bilateral clearing; that every country should keep its exports of goods and services to the world in equilibrium with its imports from the world, placing upon each nation the onus of taking payment in imports for its exports; that trade barriers should be reduced, but each country should be free to make its own tariff reductions "when and as it thinks best"—to encourage imports and tariff reductions, overseas credits would be allowed to lapse after a period of years; that measures should be taken to ensure greater stability in the prices of primary products in terms of those of manufactures; lastly, the Group, though claiming advantages for combines and international cartels, suggests that they "should come under some definite form of legislation, having for its object the protection of the consumer." Many of the principles laid down are unexceptionable. But they require considerable clarification. Does the Group believe in the indefinite maintenance of complete exchange control? Does it really expect to secure substantial reductions in trade barriers by the piecemeal methods it suggests? How does it propose the production, export and import of primary products should be regulated and by whom?

New Brooms

Events have been moving rapidly in the affairs of British Overseas Airways. On March 19th, four out of five members of the Corporation, including the Chairman and Director-General, tendered their resignations to the Air Minister. Their reasons, set forth in a letter published as a White Paper, together with the Minister's reply and



THE WESTMINSTER BANK

is represented by an extensive system of branch offices in England and Wales with agents elsewhere, and is amply equipped to conduct your private and commercial banking business. The Manager of any branch will gladly give an interview to discuss or explain any point which will help a client, or prospective client, to a full use of the services available to the Bank's customers.

WESTMINSTER BANK LIMITED

Head Office: 41 Lothbury, London, E.C.2

memorandum on the relationship between the Corporation and the Air Transport Command, were that the proposed arrangements were indefinite, unsatisfactory and incompatible with the Corporation's expressed duty of securing "the fullest development . . . of efficient overseas air transport services." There has been a lack of clarity about the demarcation of functions; and the Corporation, rightly or wrongly, has been relegated to the position of junior partner. One solution, which would have been to transfer the Air Ministry's functions to the Ministry of War Transport, has not been attempted. Three new members have been appointed to the Corporation: Sir Harold Hewitt, a member of the Air Council, is Chairman pro tem; Mr Simon Marks, the energetic managing director of Marks and Spencer; and Mr John Marchbank, former general secretary of the National Union of Railwaymen, are the new members. In the meantime, the employees of the Corporation, whose disquietment with the direction at the top had recently been growing, petitioned the Air Minister to give them back Lord Reith, who used to be Chairman of the old Imperial Airways and was Chairman of the Corporation until January, 1940. The request has since been withdrawn—it is not clear how representative it was, but the fact that it should have been made at all is evidence of some dissatisfaction among the personnel. The new directors are faced with a perplexing situation. They have one great advantage over the old. None of them has any direct interest in other forms of transport, and their appointment represents a departure from the principle, hitherto generally applied, of appointing business men to control their own businesses. Of the late members, the Chairman was a director of the Southern Railway, and the Director-General was on the board of many shipping concerns and also of the LNER. As one commentator has put it, "If the Government had set out to find an Airways Board with transport interests conflicting with air transport, they could hardly have done a more thorough job." The setting of this house in order is as essential as the reaching of an international understanding, which remains as urgent as ever. Perhaps Mr Eden's return will reveal some measure of agreement with the Americans. The time is more than ripe. American Air Lines, Inc., advertising in the national press, have issued a challenge:

Attain the most powerful position in the air, and automatically we will become the greatest power for peace.

ment, on which a committee under the chairmanship of Lord Hankey is to advise the Minister of Labour. It remains for Mr Bevin and the other Ministers engaged in reconstruction and reform to see that the openings are in fact there.

Still Going Strong

Last Thursday was the twenty-fifth anniversary of the creation of the Royal Air Force. A week ago, Sir Archibald Sinclair broadcast a fitting tribute to the men who fought for and established a separate air command, and to those who nourished it through the adolescent years until it came of age and won its spurs in the Battle of Britain. This is an occasion to remember, too, Sir Frederick Sykes, Chief of Air Staff in 1918, who rather oddly slipped out of the Minister's roster, and, above all, the veteran pilots and commanders of the last war, who flew planes which were primitive and often ill-served with a staggeringly heavy crash rate. This week, the RAF has made headline news with still heavier raids on Germany. The latest raids on Berlin have been the heaviest yet; the cost has also been appreciable—forty-eight planes lost from a force of between one and two thousand on four nights last week-end.

But, materially and psychologically, the damage inflicted in Germany itself is a condition of victory, provided no need for aircraft in combined operations on land or sea, now or in the future, is prejudiced. To maintain the case for the offensive bombing policy of the Air Staff, as it is actually conducted, is not to plead for retribution or for indiscriminate attack upon the defenceless. It is simply to affirm the value to Russia, to the western democracies, and to submerged Europe, of attack carried into enemy territory and directed against military targets. The campaign of the Bombing Restriction Committee—Stop Bombing Civilians—is not contemptible; seen against the background of the ruins of Coventry and the City of London, it appears a generous counterpart to human hatred. But it fails to face the inescapable cost of making war. The bombing offensive will go on to achieve new records, and at some early point, it may earnestly be hoped, it will join hands directly with assault parties from the sea. If the German people are reaping the whirlwind, it is, after all, they who set the grim train of events in motion.

A Golden Jubilee

Little is heard in this country of Uganda, which celebrated its golden jubilee as a British protectorate on April 1st. Presumably this is because little has gone wrong with it. There are none of the obvious problems in this colonial possession which bring the others to the fore. There is no European settler population to complicate the work of the administration, as there is in the neighbouring colony of Kenya. There is no trading monopoly such as complicates the economic development of the West African territories. Almost the whole of the cotton growing industry, Uganda's staple crop, is in the hands of small native growers, and it is Africans, too, who are mainly responsible for growing coffee, the most important subsidiary crop. This absence of external complications has enabled the policy of indirect rule to be pursued more thoroughly in Uganda than perhaps in any other part of the colonial empire. There is also a large measure of indirect administration. The numerous dispensaries are largely staffed by Africans; there are training colleges for African teachers; and there is Makerere College, a centre for higher education for Africans, to which is also attached a hospital for training African doctors. It is well that the success of British rule in Uganda should be made known, because so much has been heard of colonial discontents that the idea is sometimes fostered, especially abroad, that the whole of Britain's colonial empire is in ferment. On the other hand, there is no need to be complacent, even about Uganda. Indirect rule may have justified itself there hitherto, if, as appears, the foundations of African government have been firmly laid. But it still remains to be seen whether indirect rule alone can lead to self-government, and it still remains to be seen whether an economy based on a small peasant agriculture is enough to ensure that the standard of living is continually rising. If these aims are lost sight of, there is a grave danger that the apparent happiness and placidity of life in Uganda may become merely an outward sign of inward apathy and stagnation.

AMERICAN SURVEY

The New Geography (From Our Washington Correspondent)

A COMPARISON of the respective effects of World War I and World War II on the map industry might be illuminating. World War I was a push-pin war, close-ranked rows of one colour pressed upon close-ranked rows of the other colour, while Mercator's projection inertly took the pricks. The geography of World War II cannot be treated that way. This war has made the world go round. From the Chief Executive and the Joint Chiefs of Staff to the man in the street new means of seeing it are being used. Among gadgeter's gazetteers, most conspicuous are the new 50-inch-diameter ball-bearing mounted globe in the President's Office, and the Map Room of the Joint Chiefs of Staff, with map walls, topped by clocks to show what time it is everywhere in the world, and magnetic devices to indicate the disposition of forces. On a scale for school and home use, newspapers and periodicals have been publishing special all-map supplements, which not only show the various theatres of war, but also serve as lessons in relativity, indicating how different geography looks depending on where you put your centre. *Life* magazine has been particularly prolific in this respect; the March 1st issue features a Dymaxion World Map, to be cut out and assembled by the reader, which equalises distortion by dividing the various areas into a series of segments, shows zones of temperature in colour, and provides statistics, by segments, on land and water area and population.

The idea is growing, moreover, that there is more to it than just geography. Much map-thumbings is now being done purely because of personal interest in location. This has been stimulated both by the travels of political headline figures and by letters from overseas as more and more American troops move abroad and it becomes known that Joe from down the street is on Guadalcanal, in Tunisia, or at the other end of the Alcan highway. But much is also being done out of interest that is more dynamic. Last year, geopolitics (American style) attained a success among intellectuals with the publication of a number of books, of which the most widely commented was Professor Nicholas Spykman's "American Strategy in World Politics." (Mr. Spykman is currently lecturing at the Army school for military administrators at the University of Virginia.) More recently, American geopolitics has been translated for general popular consumption—and the translation can be summarised by the single word "air."

The Uses of Advertisement

Both before and after American entry into the war, interesting use has been made of the paid advertisement as a means of communicating ideas. Consolidated Aircraft is printing a map of the northern hemisphere, exhibited by a boy to his father—"Your Child Can Show You a New World":

Many a time, when the going got tough, you've probably given your child a helping hand with his homework in geography. But now the picture is reversed. To-day your child can help you with your geography. His modern geography book is unfolding to him a world that didn't exist when you went to school. A world, for example, in which planes are spanning the Atlantic in a matter of 400 minutes—and a man can travel from New York to Moscow by plane in less time than he can go from New York to Miami by train—and the route from New York to Bombay is not a three-week voyage past Gibraltar and Suez, but a 40-hour flight where the way stations are Iceland, Oslo, and Moscow.

In this new world, the "rowboat" geography you studied as a child has been supplemented by to-day's "aviation" geography. The earth, and all the people on it, have become a global community. And rather a small one, at that. Barriers have been levelled off. Oceans are small bodies of water separating nations which must now become either friendly neighbours or close enemies. No spot on the globe is more than 60 hours distant from your local airport.

This is the world your child is being taught at school. And it is our world, as it really is. We must quickly learn

to understand it. For only then can we look beyond the horizons of the present toward the future and its promise. One thing is already as clear as though written in mile-high letters in the sky. Our growing air power is to-day become a mighty weapon in our hands for Victory. To-morrow it will be one of the implements with which freedom-loving nations can help build and enforce an enduring peace.

American Airlines illustrates a small globe (the world) inside a large globe (the atmosphere) with the following copy:

We submit this conception of our changed world as the basis for our war-thinking.

We exist upon one globe, and inside another globe. Our planet-earth is the centre of a larger airglobe. . . . It is like a small spherical kernel within a large spherical shell. Both globes, as one unit, follow the same orbit. We take our air with us—and always have.

The new factor that changes our world is the use of air as the only universal realm for transportation. In ratio as we do use it, we change the proximity and accessibility of all places, and effectively we make the world smaller.

With this conception as the basis for our war-thinking the world could make Peace permanent. . . . the human race now does possess the physical means of enforcing Peace. Consider the protective possibilities of air: Since air is everywhere, it is not possible for any person, clique or nation to hide anywhere upon the earth from air surveillance. If we have mastery of the air, we can reach the spawning grounds of the war plotters and prevent their preparations for war.

Consider the productive possibilities of air. To-day, all world markets are much closer neighbours than cities of the United States used to be. Air transportation makes possible a quicker post-war rehabilitation and a better world economic system.

Since it is primarily the use of air that makes this a Global War, it must follow inevitably that a dominant use of air can maintain Global Peace.

The United States has the beginning of the aviation machinery necessary to implement its democratic ideals and prevent a repetition of the war-crime by any nation. Attain the most powerful position in the air and automatically we will become the greatest Power for Peace.

Other companies tell the story in terms of the persons everybody knows. Following Casablanca, Transcontinental and Western Air, Inc., published a full page ad:

Thank you, Mr. President. Your flight to Africa shows the great faith you have in aviation. To the people of the United States your trip to Africa brought a tremendous lift in spirit and the assurance of great events to come. It emphasized your determination to carry this war to an early and successful end. . . . You have focused the attention of the world on the part air transportation is destined to play in communications between our own nation and every other nation on the globe. Thus, you have indicated to the thousands of young men in the air services of this country that their future after the peace is assured.

Alcoa Aluminium ("the metal that flies best") publicly avers:

Freedom of the Air is the Beginning of all Freedoms. It is now clear that Freedom of the Air is the crux of all we fight for. Our enemies planned to dominate the whole world by dominating the air. They have taught us that control of the air in ruthless hands can mean enslavement of the peoples, lands, and seas beneath. Now we see that Freedom of the Air is the beginning of all freedoms.

Here then is a high purpose that gives democracy meaning. Here is something bigger, more final, than our old earthborn belief in Freedom of the Seas. For we have found the controlling freedom, without which all others wither and die. America's very hope of existence as a good place to live depends on Freedom of the Air. With such a destination no sacrifice can be too great, no effort too much. For such a cause no American will hold back his substance, his hands, or his will.

The enormous public interest in aviation which these advertisements both reflect and stimulate has obvious political possibilities; of these, the Republican Party, currently in search of an appealing programme for the groundswell that is moving its way, seems to be fully aware. The hearing

—on all subjects—available to an aeronautical hero was clear enough before Pearl Harbour; it is clear again now in the case of Captain Eddie Rickenbacker, president and general manager of Eastern Air Lines, and ace of World War I who has kept his flying record up to date. On January 5th, before the Republican caucus as Congress reassembled, Representative Joseph Martin made a formal statement. (To call Mr Martin Minority Leader of the House is something of an understatement regarding a House composed of 222 Democrats, a large section of whom are Conservative Southerners, 208 Republicans and 4 Independents.) He said:

We shall co-operate fully in the winning of the war. There must be no partisan politics in the war effort, and as far as we Republicans are concerned there will be none. . . . We are determined the war effort shall be in charge of administrators selected solely for their ability and capacity to do the job, and not because of partisan or personal favouritism. . . . Aviation will be an important factor in the winning of the war. It will be an important factor in maintaining the future peace of the world. . . . We believe that while we concentrate on our war aviation needs, we must also plan the place America must occupy in air transportation in the post-war world. It shall be our purpose to demand a standing Committee of the House of Representatives to deal with our aviation problems and developments. America must rule the air, and to do this it is necessary for the Congress to plan intelligently for this air supremacy, following the war.

American Notes

The Battle for Stability

The fight against price ceilings is once more well underway. All the great union groups have professed, with varying vigour, their opposition to the present wage ceilings; and Mr J. L. Lewis is acting as a self-constituted spearhead of the movement to smash wage stabilisation. For their part, the farm organisations have not been idle. The administration has already made a number of concessions to the inflation blocs. Mr Henderson has gone. The use of subsidies to keep down the cost of living has been abandoned in deference to the farmers, who have a fancy for higher prices instead. Congress is teeming with legislation designed to force favoured treatment for the farmers. The Pace Bill, which provides that increased labour costs on the farm must be included in the computation of parity, has been passed by the House, and is now being mulled over by a Senate Committee. Labour costs in the last quarter of 1942 were 220 per cent of 1910-1914, against 154 per cent in 1941. Another Bill, which has been passed by the Senate, would forbid the Government to include its benefit payments to farmers in calculating whether particular prices had reached parity. This is a point on which Congress is especially sore, as it feels the Administration has wilfully misinterpreted its instructions in the Stabilisation Bill passed last autumn. This Bill would end the practice of adding Government payments to prices received when calculating whether a particular commodity has reached its ceiling. Now that the Administration has given way on subsidies, and agreed to small increases in ceiling prices where sufficient economies cannot be attained by reduction of costs, there is no hard and fast position to which it can cling. The way is open to mounting inflation through persistent nibbles. The Administration's line appears to be to warn the farmers that if it gives way to them it must also make concessions in other directions, notably to labour. But the effort to persuade the great pressure groups to stop in their tracks is weakened by the determination of Congress to oppose the Administration wherever it can do so with impunity.

Daily Bread

The meagre rations, by American standards, of meat, bacon, butter, margarine, cheese and cooking oils, now lumped together under a points system, is proof of the very real crisis in food distribution and production. The allotted 16 points a week per person cover very little more of the rationed foods than is available in this country, and in the case of meat, offal is included in the ration. It is, of course, a very substantial offset that milk, eggs, and preserves are as yet unrationed, and that poultry is plentiful. But it remains something of a shock to hear that Americans will be restricted to approximately a pound of meat a week, and to realise that—if the ration is forthcoming—to many this will mean an improvement. Conditions have varied widely over the country, of course. Aside from the meat shortage

in New York, it seems true to say that, as in this country, sufficient account has not been taken of changes of population, so that cities swollen with war workers, like Los Angeles, recently have been receiving only 61 per cent of their 1941 meat supplies. The present crisis is largely one of distribution, made tenser by the fact that war incomes are bringing new and bigger buyers to market. A strenuous effort is being made to convince the public that the food is going, not to Lend-Lease in any very great degree, but into their own kitchens, as well as those of the Forces. The more menacing problem, however, is that of this year's harvest. Unless the halcyon weather of 1942 is repeated—which is unlikely—there is little belief that the new farm goals can be reached, and a real possibility that the record of 1942 will not be maintained. The President's appointment of Chester Davis, head of the St. Louis Federal Reserve Bank, as War Food Administrator, with authority over all questions of production and distribution, is an admission that drastic action is needed if food supplies are to be kept up. It is now generally recognised that the War Production Board went too far in cutting the production of agricultural machinery; instead of 20 per cent of 1940 production, allocations of materials have been pushed up to make possible 60 per cent. It is also agreed that an end must come to the drafting of farm workers. Mr Roosevelt has announced that during 1943, 3,000,000 men in the draft ages will be deferred.

Controlled Materials

On Thursday the Controlled Materials Plan came into operation. This plan will regulate United States allocations of steel, copper and aluminium. According to an official announcement by the War Production Board, the quantities allocated under the plan for the second quarter of this year are 15 million tons (of 2,000 lb. each) of carbon steel, 2,000,000 tons of alloy steel, 600,000 tons of copper, and 300,000 tons of aluminium. All these figures, and especially the two latter, are higher than was expected as recently as the turn of last year, a proof that the various supply expansion schemes are making progress. Meanwhile certain changes in the CMP have been introduced. The number of "claimant agencies" (contract-placing Government departments) has been doubled. In addition to the original seven claimant agencies (Army, Navy, Maritime Commission, Aircraft Scheduling Unit, Lend-Lease, Board of Economic Warfare and Office of Civilian Supply), the War Production Board Facilities Bureau, the National Housing Administration, the Petroleum Administrator for War, as well as the offices of the Food Administrator, of Defence Transportation, of the Rubber Director and of the Power Director, are now recognised claimant agencies for the controlled materials required under their vital construction programmes. Contractors working on essential orders from Government Departments not recognised as claimant agencies under the CMP are represented in the WPB Requirements Committee through the Office of Civilian Supply. Another amendment by which procedure will be very much simplified is the decision that all allocations will be made on a quarterly instead of a monthly basis. In order to prevent the extension of the allocation period from leading to excessive orders in the first weeks of each quarter a clause has been introduced under which persons who receive allotments must not call for delivery of more than one-third of the total in the first month of the quarter. For the time being the list of controlled materials has not been extended beyond the original three groups although it had been widely expected that, owing to its growing scarcity, rubber would be placed under CMP. Under a new WPB order, however, Mr. Jeffers, the Rubber Director, has been authorised to allot rubber in future to Government departments acting as claimant agencies under the CMP and it appears that for the present this is to remain the only link between rubber and the CMP.

Shorter Note

The new development of rationing technique, which puts on a common points system such major articles of consumption as cheese, meat, butter, bacon, and margarine, allows very wide freedom of choice to the consumer, and for that reason is particularly suitable to a country with wide regional variations such as the United States. Until the system settles down, it seems likely that it may add to the difficulties of estimating consumption, but after an experimental period, it should prove possible to adjust point values to remedy any difficulties.

THE WORLD OVERSEAS

Industry and Labour in Holland

(By a Correspondent)

March 29th

AFTER nearly three years of occupation, Holland's economy conforms more closely to the original Nazi system than that of any other country under German domination. The alignment of German and Dutch economic conditions has gone very far, though the adaptation to the Nazi system was gradual. Mere collaborationists who tried to retain a measure of independence were finally replaced by Dutch Nazis in all important positions, and, at present, economic activities in Holland are directed under the same decrees which were introduced in Germany after the disaster of Stalingrad. Since the end of 1941, in fact, the time lag between a new economic decree in Germany and its introduction into Holland has shortened considerably, which shows that the administrative machinery has been thoroughly nazified. As in Germany, employers and workers of all kinds are now compulsorily organised. In agriculture, the *Landstand* is equivalent to the German *Reichsnaehrstand*. In industry, there are 28 "Economic Groups." Banking, insurance and commerce have their separate organisations, and the former trade unions have been replaced by a Dutch Labour Front.

There have been two distinct phases in Holland's economic development under German occupation. As long as Germany was chiefly interested in economic collaboration, that is, in placing sub-contracts with Dutch factories, a comprehensive system of rationing, price control and financial control was deemed sufficient. But when Germany was forced to concentrate industrial activity within the borders of the Reich, complete compulsion became necessary, and this was achieved by introducing the Nazi system.

During 1941-42, the greater part of Holland's industry, dependent on overseas supplies, came virtually to a complete standstill. Most of the large oil crushing mills were closed down, and the margarine, soap, tobacco, bacon curing and other food industries were heavily reduced. In July, 1942, private building was prohibited. During the phase of industrial collaboration, a great effort was made to start the thorough use of substitute materials, particularly artificial textile fibres, leather and plastics. But the plans were obviously far ahead of actual possibilities, and under the new concentration of industries most of them will have to be abandoned. A notable exception is the shipbuilding industry, which has been working at full capacity since the beginning of 1941. The large radio, electric equipment and signal instrument works are also fully occupied with orders for the German *Wehrmacht*. The diamond industry is working sporadically, according to supplies delivered by Germany. Great efforts have been made to maintain the coal output, but, in spite of compulsory Sunday work for miners, output seems to have fallen off during 1942. Poor food, lack of pit props, as well as increasing difficulties in replacing mining machinery and equipment, seem to be the chief cause. The only iron and steel works of importance, the *Hoogovens* and *Staalfabrieken-Ymuiden*, has reported a considerable decline in profits. The works are now owned by the *Vereinigde Stahlwerke*, the leading German steel concern. The German armament concern, *Rheinmetall-Borsig*, acquired the *Werkspoor NV*, manufacturers of machine tools and railway material. In the cement industry, a German-Dutch concern was set up, but the actual penetration of Dutch industry by German capital interests has remained relatively small. It seems that German capital acquired Dutch interests in the companies of other countries. Actually, all barriers between Germany and Holland have been removed in this respect, since the shares of Dutch companies are allowed to be quoted on German bourses.

The close proximity of Holland's coalmining district to important German industrial areas has induced the Germans

to make greater use of electric power generated in Holland. Several power stations have been linked to the German grid system. Naturally, rationing of coal and power became necessary, and the restrictions placed on passenger traffic on Dutch railways are as severe as in Germany.

The Labour Shortage

At present, a new concentration in the whole of industry, and especially in the retail trade, is being attempted to provide Germany with more labour. Shortly after the occupation, the total number of unemployed amounted to roughly 300,000. The following figures published by Dutch and German papers indicate the changes brought about by Germany's needs:—

	Unem- ployed	On Relief Work	Employed in Germany	Employed in France
End of 1941	123,000	70,000	150,000	29,000
October, 1942	42,000	33,000	223,000	37,000

These figures show that last year the total number of Dutch workers employed outside Germany had already reached 260,000. In addition, roughly 50,000 workers living near the German frontier cross the frontier daily to work in Germany—frontier-walkers (*Grenzgaenger*) as they are called. In other words, more than the 300,000 registered as unemployed after Holland was occupied are now work-

INFLUENZA GUARD YOUR STAFF

STAFF is more precious than ever. Safeguard against depleted Staffs by the right use of "SANITAS," the antiseptic and germicide recommended by Doctors and Medical Officers for very many years. It is safe and non-poisonous.

SPRAYING ROOMS—Spray all offices and workshops with undiluted "SANITAS" at least once a day. If an epidemic has already taken hold, spray more often.

Freshens and purifies the air by **RELEASING OXYGEN** and the odour of pine trees into the atmosphere.

MOUTH and THROAT WASH—"SANITAS" contains Thymol, recommended for this purpose by the Ministry of Health.

Keep a bottle in the Staff Washrooms, and post instructions for use.

AFTER WORK—a little "SANITAS" added to the personal wash after work is a wise precaution against spread of germs.

Widely used in Hospitals, Institutions and Public Buildings.

At Chemists, 1/1½ & 1/8 (incl. Pur. Tax)

SANITAS
THE SAFE ANTISEPTIC

ON REQUEST—Valuable War Memorandum on prevention and treatment of infectious diseases. Write (enclosing 1d. stamp) to: SANITAS CO. LTD., Dept. BCO/4, 51 Clapham Road, S.W.9.



ing outside Holland. At the same time, all persons aged 18 to 25 years are liable to serve in the Compulsory Labour Service. Recently, the number of labour camps was increased from 49 to 54, and it can be assumed that the labour service was extended at the same time. Compulsory labour after the German model was introduced some time ago, which makes it possible to direct people to work in Germany, too. In spite of the low economic activity, labour has become scarce in Holland, and the Nazis are at present trying to recruit more labour from domestic service.

Registration and control of labour are comprehensive. The first step was the concentration of communal and private labour exchanges under a Central Labour Office. The introduction of a work-book followed hard on the compulsory organisation of workers in a Labour Front, and the pernicious system of denying unemployment benefit and food ration cards makes it practically impossible to refuse work in war factories in Holland or in Germany. As in other occupied countries, short-time work was largely in operation during the first period of the occupation, but, last year, a minimum working week of 48 to 54 hours was decreed. This made it possible to send more workers to Germany.

Within the factories, the new Labour Front works on the same principles as the German Labour Front. The so-called social foreman is the latest means of securing political control over the workers. On paper, social insurance has also been adapted to the Nazi system. The main object is the centralisation of the different insurance schemes. Under the pretext of restoring the financial position of the insurance funds, new contributions have been introduced amounting to 4½ per cent of wages, of which employers will have to pay 1½ per cent.

Eire's Unemployment Problem

[FROM OUR DUBLIN CORRESPONDENT]

March 15th

At the beginning of the war, grave fears were entertained about the magnitude of Irish unemployment. At the present time, the number of unemployed is about 80,000. While this figure is, in all conscience, large enough, it is not so large as it would have been if it were not for the absorption of numbers of men in the Army and other defence work. Moreover, the drain of emigration has swollen to quite abnormal dimensions. The problem that is now engaging attention is that of finding work for the emigrants when many of them return, as they inevitably will, after the war. The intentions of the Government in this matter have been partially revealed by Mr de Valera in a recent speech in the Dail. While it is clear that the problem is being studied in official quarters, it is far from certain that anything approaching a satisfactory solution has been reached. The impression created by Mr de Valera's speech is that of good intentions rather than of specific proposals.

Mr de Valera is occasionally disarmingly frank in admitting the existence of difficulties outside the Government's control. While in his early days of office he appeared hopeful of greatly increasing employment in the country, he now apparently thinks that the problem of unemployment is insoluble without a degree of regimentation which no democratic country would stand. He made some extremely sound and sensible observations regarding the difference between conditions in wartime and conditions in peace. He pointed out that people in war-time are willing to make abnormal efforts and sacrifices and to suffer a degree of public regulation and control which is impossible in peacetime except in totalitarian states. Moreover, the standard of living is deliberately depressed by means of rationing schemes and taxation, and the consumption of capital is temporarily tolerated. In emphasising the fact that the disappearance of unemployment in wartime is the result of extraordinary work, saving, poverty and suffering, Mr de Valera struck the right note. He emphatically repudiated the suggestion that facile financial manipulation can act as a substitute for these real efforts and sacrifices.

The Land

In explaining the Government's programme for providing employment after the war, Mr de Valera emphasised that the continuance of the policy he had pursued for the last

ten years would produce the best results. He thought that the possibilities of industrial protection had not been exhausted, but he gave no concrete instances of industries capable of immediate expansion. The Government's housing programme would be resumed on a large scale. He expressed the hope that the scientific development of agriculture would enable a larger population to be maintained on the land. He stated, however, that the policy of land division which had been interrupted by the war would be resumed at an accelerated pace. These two agricultural policies would appear to be inconsistent. The scientific development of agriculture depends upon the creation of larger rather than of smaller farms. The Banking Commission emphasised very strongly that agricultural efficiency, especially in those branches of farming producing for export, had been materially impeded by the programme of land division. If the only object of the agricultural programme were to provide employment, the subdivision of holdings would be an admirable method of creating work for work's sake. That this consideration was not absent from his mind was revealed by Mr de Valera's reference to the beneficial effects on employment given in the actual process of preparing the land for subdivision.

Ever since the Treaty, much discussion has taken place on the possibility of providing employment by afforestation, land reclamation and arterial drainage. Commissions have investigated these subjects, and a certain amount of experimental work has been undertaken in regard to them. From the point of view of providing employment, these schemes are all rather disappointing. Mr de Valera stated that afforestation was not proceeding as rapidly as he would wish, but that it was impeded by many difficulties which caused delay. Land reclamation, while giving a fair amount of employment, is very costly, and the results seldom justify the capital outlay involved. Schemes of arterial drainage are to be pushed forward immediately. The labour content of such schemes is low in relation to the capital cost. It was recently reported by a Commission on the subject that arterial drainage could not be justified on economic or financial grounds, but that nevertheless it should be undertaken on a large scale for social reasons. Similar considerations are relevant to the electrification of rural areas. The social benefits to the countryside of such electrification would possibly outweigh the direct financial losses incurred. From the point of view of providing employment, electrification possesses many merits. The general impression produced by Mr de Valera's speech is that the problem of post-war unemployment is going to be an exceedingly difficult one, and one for which the Government at the present time appears to have no complete solution.

Portuguese - Spanish Trade

[FROM OUR LISBON CORRESPONDENT]

March 1st

THE signature of a fresh trade agreement, governing economic relations between Portugal and Spain during the current year, has been officially announced. Mutual dealings to a total of 240 million escudos on both sides are allowed for. This is twice last year's figures and five times greater than the annual average in the period prior to the Spanish civil war. Portugal is to supply tin, timber, manganese ore, chrome and antimony, old metals, rasps and files, china clay and whale oil, as well as colonial produce such as beans, coffee, sisal, palm oil, castor oil, copra and fish oil. Spain will send coal, iron, lead, potassium chlorate, chemical and pharmaceutical preparations, cigarette paper. Spain will also assist in the matter of transport facilities, more specifically providing maritime transport for petroleum products shipped to Portugal.

Books Received

Testament to Democracy. By Lord Wedgwood. (London) Hutchinson. 168 pages. 8s. 6d. net.

Creative Demobilisation. Edited by E. A. Gutkind. Vol. I. Principles of National Planning. 329 pages. Vol. II. Case Studies in National Planning. 280 pages. (London) Kegan Paul. 21s. net each volume.

Economic Fluctuations in the United States and the United Kingdom, 1918-1922. League of Nations. (London) Allen and Unwin. 93 pages. 6s. net.

Insurance for All and Everything. By R. Davison. (London) Longmans. 32 pages. 1s. 6d. net.

Germany at War

War Finance

ON the threshold of the new financial year 1943-44, the German papers are divided on the question of war finance. The disproportion between last year's small increase in revenue and the considerable rise in public borrowing has led to discussions about the limit of borrowing, new sources of revenue, and generally about the technique of financing. The old certainty that financing war presents no difficulties if production and distribution are well organised and efficiently controlled seems to have gone.

Apart from the regular publication of the national debt and infrequent global estimates of the revenue, figures are no longer published. The following table shows the level reached by taxation in 1942-43.

REVENUE (In 1,000 million Reichsmarks)			
April/March :	Total	Rm	Increase %
1939/40.....	23.5	5.9	33.3
1940/41.....	27.2	3.7	15.8
1941/42.....	32.5	5.3	19.1
1942/43.....	35.0	2.5	7.7

Income and wages taxes, the corporation tax, and the turnover tax account for the greater part of the revenue. The income and wages taxes have remained practically unchanged since the beginning of the war. The corporation tax, however, was twice increased. On July 1, 1941, a war surcharge amounting to 25 per cent was decreed, which was raised to 37.5 per cent in January, 1942. During 1942, a modified form of excess profit tax was introduced.

An indication that the limit of the wages tax had been reached was the introduction of the system of iron savings, which amounts in effect to a reduction of both this tax and the contributions to social insurances. Official sources gave contradictory estimates of the actual loss in revenue. At the end of 1942, house owners had to pay into the Treasury the capitalised house-rent tax, which gave the Treasury a total of roughly Rm 8,000 million. The annual loss of revenue by this abolition of the house-rent tax amounts to Rm 850 million. The new excess profits tax and an earlier increase in the excise on tobacco and alcohol cannot make up for this loss; and full effect of these reductions will be felt during the coming financial year. There is no hope that the income and wages taxes will give a greater yield during the coming year, even if a considerable number of women are additionally employed.

It is assumed that during 1943-44 total expenditure will remain at the level of 1942-43. This statement was made at the height of the campaign for changing over at last to "total war," and can only be taken as an unguarded utterance implying that no further actual increase in production is possible. In addition to this revenue, the Reich has at its disposal the war contribution of the German communes and the various tributes and occupation costs of occupied countries. These additions were officially estimated for 1942-43 at Rm 14,000 million. During the coming year no increase is possible. Economic activity in all occupied countries will probably decrease, because of the concentration of labour and material resources within the Reich.

Various suggestions have been made for an immediate strengthening of Reich finances. The so-called industrial levy, for example, could be capitalised like the house-rent tax. This would bring no substantial relief and would at the same time mean another reduction in revenue. It is also proposed to sell to mortgage banks the large mortgages held by the social insurance funds. These transactions cannot change the actual financial situation; by them, debts are merely shifted from one place to another and, as was shown last year, cannot arrest the formidable rise in public borrowing.

At the end of 1941, the total national debt was roughly equal to the national income. At the end of 1942, it had reached approximately 150 per cent of the national income. If there is no increase in revenue, and if expenditure remains at the level of 1942, the nominal national debt will be nearly twice the national income at the end of 1943. These are the considerations on which German papers are basing their discussions about the limit of public borrowing. The total national debt of the last war amounted to Rm 150,000 million. It was finally wiped out by the unlimited inflation of the currency. At the end of this war,

the Nazi regime hopes that the national debt can be reduced to manageable proportions by selling to the public land and property in occupied countries.

NATIONAL DEBT
(In 1,000 million Reichsmarks)

End of year :	Total	Rm	Increase %
1939.....	45.9	18.5	68
1940.....	79.5	33.6	73
1941.....	128.5	49.0	62
1942.....	185.6	57.1	45

There is a curious futility about the present financial discussions in Germany. The pretence of absolutely stable prices is still kept up and the wholesale price index actually shows an advance of only 1.9 per cent during the whole of 1942. The index of the cost of living rose by 2.2 per cent during the same period. The introduction of fixed prices for armaments is stated to have reduced armament costs; and the situation, it is said, makes it possible to decree a further reduction of 5 per cent. The greater part of the national income consists of wages and salaries. Yet the excess purchasing power from wages and salaries must be small. The increase in small savings, amounting to Rm 15,000 million during 1942 against Rm 10,000 million in 1941, comes much more from small shopkeepers and independent artisans than from workers. German papers state that most wage earners find it still difficult to save any money at all.

The problem of the excess purchasing power should rather be called the problem of excess purchasing power in relation to capital goods. The idle capital from sold-out stocks of commodities, postponed repairs and renewals in factories is growing in proportion to the concentration of industries and the length of the war. During the first period of the war, this fact was reflected by the tremendous increase in bank deposits. At a later stage, this excess liquidity created the continued boom in shares at the Bourse which has now been stopped by a virtual closing-down of the Bourses. Dealings are restricted to three days a week. A quotation stop has become effective and shares exceeding in value Rm 50,000 against the old limit of Rm 100,000 which have been purchased after September, 1939, can be called up by the Treasury to be exchanged into Treasury bonds. Once again, there is talk about the so-called self-financing of industry. But a considerable part of the idle money capital has been accumulated by the banks. Annual reports of two leading banks, available at present, show that during 1942 advances increased to a much greater extent than deposits.

The situation seems to be that, at the beginning of a new financial year, some drastic change in method is called for. The planning of production and distribution without respect to rising costs and to the actual losses of material by large-scale warfare is obviously at variance with the financial situation, with prices and wages, as well as the monetary situation. Speer, the supreme planner of production, like the agricultural leaders, would like to abolish the whole financial mechanism and replace it by a points system. The Minister of Economic Affairs, together with the Minister for Finance and the Price Commissar, on the other hand, seem to hold the view that the financial and monetary mechanism must be allowed to exert some control over production and distribution. This dilemma is at the root of German war finance. The wages stop actually stabilised wages, but prices are fictitious. All agricultural prices are heavily subsidised and the prices for manufactures are calculated and fixed on an arbitrary basis. Revenue cannot be increased unless the turnover tax is at least doubled. This, however, would reduce the purchasing power of the greater part of the population. The only way out is, therefore, a gradual increase in public borrowing, which was already roughly 54 per cent of total expenditure last year. German war finance has crossed the danger line.

HAVE YOU the art of effective assertion?

RAPIDISM will develop for you
(a) mental alertness. (b) personal courage.

Write now for free Booklet to:
THE RAPIDISM INSTITUTE,
691, TUITION HOUSE, London, S.W.19.

THE BUSINESS WORLD

War Contract Prices

THE Seventeenth Report from the Select Committee on National Expenditure, 1941-1942, on Merchant Shipbuilding and Repairs, focused attention on price-fixing methods in Government contracts. The Committee deplored the fact that "under the present arrangement in the Admiralty Contract Directorate, the final price is not agreed until at or about the time of launching, and in some cases not until the ship has been handed over," in spite of the claim made for this system that "it approximates to a fixed price contract." The question at once arises, what is a fixed price contract? For all prices are, strictly speaking, "fixed." How is the genuine fixed price to be distinguished and what is the practice of the Government Supply Departments in placing war contracts?

Properly understood, a fixed price, as a previous Select Committee pointed out, is "a price which is fixed before production begins, or at a very early stage in production." In the absence of effective competition that would permit of competitive tender, a fixed price thus defined is the best possible arrangement. All three Government Supply Departments—the Admiralty, the Ministry of Supply and the Ministry of Aircraft Production—have been completely in accord in aiming at this. But for the major articles of supply, such as the air-frames and aero-engines of MAP and the tanks and guns of the Ministry of Supply, it has been

found quite impracticable to agree on a fixed price at an early stage in the contract negotiations. All these heavy stores are subject to constant changes and modifications in the course of their production. To lay down hard-and-fast rules about their price at the beginning of their manufacture is not possible, and it is in their differing methods of costing and pricing articles at a comparatively late stage in manufacture, not in their common agreement on the desirability of arriving at an early fixed price, that the practice of the three Supply Departments has to be distinguished.

Both the Admiralty and the Ministry of Aircraft Production have at their disposal a large Technical Costings Staff. The task of these experts has been defined as "the estimation of the costs likely to be incurred in production which has not begun or is in its early stages." In practice, however, they are often obliged to perform their work when production has been practically completed. In many cases the contract officers have to fall back, not on technical estimates, but on actual costs, in arriving at the definitive price. But MAP price settlements, even those arrived at late in the process of manufacture, are normally based on technical estimates, and there is no departmental machinery for ascertaining costs after production has been completed. It is, therefore, an error to apply such terms as "cost plus" or "time-and-lime" to these settlements. The term "fixed price" is applied by the Admiralty and MAP not, in the manner of the Select Committee of 1941, only to a "price fixed before production begins, or at a very early stage in production," but to a price fixed at any stage of production, not excluding the penultimate stage. The earlier the price is fixed, the nearer does it approximate to the hitherto accepted definition of a fixed price, while the later it is fixed, the nearer it must tend to approach the "cost plus" price arrangement.

Like the two other Supply Departments, the Ministry of Supply has always attempted where possible to secure early fixed prices, and there has never been a time when at least 50 per cent of their contracts were not on a fixed price basis. But, ever since the last war, there has been in the Contracts Branch of the War Office, which is now part of the Ministry of Supply, an alternative to the fixed price in the shape of the maximum price used in conjunction with a costings clause. A maximum price contract is one "in which a maximum price (which includes both cost and profit) is set before production, and the contractor is paid the costs actually ascertained by post-costing plus an agreed profit, subject to the maximum price not being exceeded." The Department secures the right to conduct post-costing investigations by incorporating in all maximum price contracts a costings clause. For not only may the maximum price never be exceeded, but the Ministry of Supply also reserves its right to withhold a percentage of the maximum price, if post-costing investigations show this to be fair and reasonable. A body of skilled cost accountants are specially employed by the Department to perform the work of post-costing.

The use of the maximum price by the Ministry of Supply was the subject of adverse comment in the Fourth Report from the Select Committee on National Expenditure, 1940-1941:

The fixing of a maximum price is an attempt to limit the extravagance that may arise from the simple cost plus arrangement. This introduces the need for some estimation of, and agreement on, what the final cost is likely to be; but unless it is combined with a target cost, it does not offer the contractor any direct inducement to reduce costs below the agreed maximum. In contrast with the target system proper, the maximum price in fact provides a target at which the contractor may aim, whereas the so-called target cost provides a figure below which the contractor is encouraged to work.

Later, the Select Committee went on to say that:

The Ministry of Supply took over this (maximum price) system (from the War Office) in spite of the fact that the

field of production covered by them is well adapted to the use of technical costing, and that the machinery for this is fully developed in all the more important firms concerned. The reluctance of the War Office to adopt this simpler and more efficient system, and the fact that the Ministry of Supply set up no organisation for this purpose, is the more surprising since the recommendation that they should do so is no novel one. Twenty-two years ago the Select Committee on National Expenditure of 1918 strongly recommended that full technical investigation should be the basis of contracts for supply, and with that recommendation the sub-Committee fully concur.

Here, then, are two distinct charges preferred against the price-fixing practice of the Ministry of Supply: the uneconomical character of the maximum price, and the failure of the Department to use technical costings. What answer can the Ministry give to these charges?

In the first place, during the expansion period of 1935-39, and the early period of the war, the Ministry did, in fact, employ the target cost, in conjunction with the maximum price, for a certain number of its purchases. The firms who beat the target received 25 per cent of the difference between the target cost and the actual ascertained cost. This was a substantial incentive to economy. Subsequently, the target cost was applied to shells and other munitions of war, including tanks. The producing firm normally received 25 per cent of the difference between the target costs and the ascertained costs. Although the Ministry of Supply still used target costs in the early stages of the war, that practice is now defunct. It is claimed that target figures are suitable to the early stages of production in that they encourage rapid and efficient manufacture and economy but are of little value when production is well under way. The charge, therefore, that a maximum price, unrelated to a target cost, militates against economical production still remains. In rebuttal, the Ministry of Supply can point to the Report of the Controller and Auditor-General on the Ministry of Supply Appropriation Account, 1939, which gives instances in which that inseparable accompaniment of a maximum price contract, the investigation of actual costs

has been successful in securing large savings to public funds as compared with prices which were based on estimates of

the cost of materials, direct labour and overhead charges, with an addition for profit.

This points the way to the answer to the second charge—the neglect of technical estimates. The Ministry claims that, when necessary, it has made use of the Technical Costings staff, a body intended to provide a common service for all Supply Departments. But it is pointed out with some justice that, for a fixed price based on technical estimates to be effective, the price must be agreed either before the contract is placed or as soon as possible after that event. If this cannot be done, it is better to fix a maximum price at once, rather than to insist upon a fixed price which, if determined at a late stage in production, may dangerously resemble a cost plus contract. But, as previously stated, the Ministry of Supply definitely prefers a fixed price, when the price can be fixed at an early stage of the contract, and regards the maximum price and the costings clause as only the second best solution to the problem of arranging "a fair and reasonable price" for its purchases.

In the light of the foregoing analysis, the attitude of the Admiralty towards contracts for merchant shipbuilding, and the recent criticisms of the Select Committee, become intelligible. The Admiralty cordially agrees that a fixed price should be secured wherever possible, but has always maintained that time was the vital factor, and that the advantages of a fixed price contract could only be obtained if the price was fixed either before the work was taken in hand or at an early stage of the work; and that in the large majority of cases it is not possible to say until the work has proceeded, often to an advanced stage, how much work will in the end be involved. The Select Committee hold out, in their turn, for the recognition of the principle that "cost plus methods should only be permitted on grounds of extreme urgency, where it is essential to begin and to complete the job within a matter of days." The problem of price fixing in Government contracts thus admits of no easy solution. The manufacture of new types, sudden changes in quantitative demand and the paramount need for rapid production: all are factors militating against the fixed price contract and in favour of the cost plus arrangements which all are agreed in condemning.

Finance and Banking

Bill Market's Low Quota

At last week's Treasury bill tender the bill market allotment dropped to the abnormally low level of 11 per cent, which is equivalent to about £8½ millions of bills. Only once in the war period has the market been less successful than this—on February 7, 1941, when it secured 10 per cent, on a total issue of £65 millions. To what extent this decline from the not unsatisfactory allotment ratios of recent weeks may have been due to special non-market tenders at fine rates, it is hard to say, but the fall in total applications suggests that such influences cannot have been important. The main explanation, undoubtedly, is that, although they concentrated upon the 91-day bills, the discount houses tendered at the same price at which they have lately been applying for 92-day bills, despite the fact that the shorter-dated bills included the normally covered June 30th maturities. In this they have shown a greater restraint than on former occasions; a year ago, they secured a 60 per cent allotment, but only at a price which showed a mere five-eighths of a penny margin over the basic money rate and the rate at which bills can be resold to the banks. Bill dealing is now conducted on such exiguous margins that applications on terms such as these clearly cannot be justified except at moments when portfolios have been abnormally depleted, and when their replenishment is imperative if the market is to perform such vestiges of its former functions as now remain to it—notably, the function of supplying the banks with the maturities they need. Such considerations evidently did not arise on this occasion. Even so, the syndicate's tactics are significant from another point of view. Their casual attitude towards the end-June bills is striking evidence of confidence, which experience in the London "Wings" Week must have consolidated, that the authorities both can and will ensure that the discount houses are not embarrassed by spasmodic disturbances in the short loan market. It is true that even in the cheap money period before the war, June 30th had begun to lose its terror for the market. But in those days the market often felt pretty

sure of getting special assistance, it rarely got it on terms which did not involve some sacrifice, however small by contrast with the former tradition of discounts or loans at or over Bank rate. Now the operation is both certain and painless. The implications of this distinction are more fundamental than has, perhaps, yet been fully realised.

* * *

Turnover since the War

This, of course, is not the only respect in which the bill market's lot has been eased by wartime conditions. Bill dealers as such have had to work to fine margins, but they have found compensation in the greatly increased volume of bills which they now habitually handle. The increase has been more substantial than is generally recognised outside the market itself, owing to the habit of looking at the percentage allotments rather than their actual amount. Except for the first year of the war, the market's percentages (even when expressed in terms of total bills issued, instead of individual applications) have indeed been somewhat lower than they generally were in pre-war days. The average percentage for the past quarter has, moreover, been one of the lowest of the war period; yet in these thirteen weeks, despite the very small allotment at last week's tender, the discount market has almost certainly taken up more Treasury bills than in any comparable quarter previously. On the assumption (which is probably not far from the truth) that the market syndicate now customarily applies for a quantity equal to the amount of bills on offer, market allotments in the quarter will have totalled £303 millions, an average of over £23 millions per week. This average, in the lean quarter, is a shade more than the larger pre-war syndicate secured at the best single tender in the last pre-war year, and is only a little less than twice the average allotment for the whole of that year. The following table, in the computation of which due allowance has been made for each of the main changes in syndicate tender policy so far as they have become known, plainly shows the wartime trend.

A Complete Banking Service

THROUGH its widespread organisation, Barclays Bank offers the fullest possible facilities for the transaction of every kind of Banking Business, at home and abroad

Full particulars of the various services provided may be obtained from any Branch of the Bank

BARCLAYS BANK LIMITED

Head Office:

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

FOREIGN BRANCHES:

LONDON	-	168, Fenchurch Street, E.C.3 1, Pall Mall East, S.W.1
BIRMINGHAM	-	61, Colmore Row
BRADFORD	-	13, Market Street
LIVERPOOL	-	21, Castle Street
MANCHESTER	-	94, Portland Street



This table will repay scrutiny, but attention may be drawn to two points in particular. First, the effects are clearly shown of the competition from sterling area balances in the period before tap bills were made available to Empire

BILL MARKET SHARE OF TREASURY BILL ALLOTMENTS
(£ millions)

Quarterly Periods*	Total Issues by Tender	Allotments to Market	Market's Weekly Average	Proportion of Total Issues %
1939: IV.....	770	395	30	51
1940: I.....	716	292	22	41
II.....	785	367	28	47
III.....	836	331	26	40
IV.....	845	292	23	35
1941: I.....	845	222	17	26
II.....	955	302	23	32
III.....	970	339	26	35
IV.....	975	292	22	30
1942: I.....	905	308	24	34
II.....	975	389	30	40
III.....	975	371	29	38
IV.....	1,045	338	26	33
1943: I.....	975	303	23	31
Year to Aug. 25, 1939:	4558	1678	13	37

* Figures relate to tenders within each period, not to bills actually taken up.
§ Quarterly average.

central banks. Secondly, there is the curious circumstance that when the weekly tender offer was raised to £80 million and £85 million in October and November, 1942, the market's share actually fell.

Heavy Special Buying

Even on the earlier days of the past week, credit conditions were on occasion unusually tight, notwithstanding the market's very low bill quota and the fact that transfers of virtually the whole of the £70 million call for Treasury deposit receipts was delayed until the final days. One or two banks, of course, have been making up. According to reports, some sections of the market have had to utilise the facilities of the special buyer on a substantial scale, but there is no evidence of such operations in the Bank return. On the contrary, Government securities have fallen sharply by £28.1 million, reversing the previous week's expansion in the credit base, and the chief counterpart of this movement is a decline of £25.2 million in bankers' deposits to £144.3 million. Presumably, the bill buying has been for account of public departments, the relief to the market being the avoidance of any immobilisation of funds on public deposits, which remain below the £6,000,000 mark. The note circulation has risen by a further £5,815,000, reducing the reserve of notes to £15,709,000, and a further increase in the fiduciary issue cannot be long delayed.

Floating Debt Contrasts

During March, Government expenditure exceeded receipts by £255.3 million; £72.1 million (out of £317.5 million) of revenue was transferred by the tender of tax certificates and £77.5 million of TDR's were encashed before maturity. In addition, TDR maturities totalled £140 million, so that the net result of the month's TDR borrowing was a net repayment of £31.5 million. In the light of these movements, it is not so surprising that even

London's savings week failed to disturb the ease of credit. Purchases of tax certificates amounted to £46.3 million, so that the outstanding issue declined by £23.8 million to £445.1 million, a fall of £48.8 million from the end of January peak. On balance, the floating debt showed a further slight rise during the month, contrasting with a contraction of over £130 million in March, 1942. At £4,096.9 million, total floating debt is some £68 million higher than at the turn of the year, whereas the corresponding quarter last year saw a net reduction of some £300 million. The contrast is mainly reflected in the level of the TDR issue, which at £969.0 million is £472.5 million higher on the year. The usual table showing the different ways in which expenditure has been financed will appear in the Budget Supplement next week.

Kennet Advisory Committees

Though the Government has never actually announced its formal adoption of the Kennet Report, it is known that the banks and other financial institutions have been carrying out staff changes on the basis of the recommendations. It is understood, indeed, that the banks have even made some beginning with the employment of part-time workers. A further step in the implementation of the proposals has now been taken with the appointment of three advisory committees, as suggested in the Report. In the case of the banks, for example, it was suggested that a body representing the clearing banks should report progress periodically to the Treasury, who would consider such reports with the assistance of an advisory committee, one of whose most relevant functions would be to make use of the information and advice available from the representatives of employees. The committees now set up comprise the members of the original panels, with some additions. The committees concerned with banking and industrial assurance are to assist the Treasury and the Industrial Assurance Commissioner, while the body concerned with ordinary insurance is to advise the Board of Trade.

Indian Sterling

At the time of the Budget debate in the Legislative Assembly, the Government of India was attacked for permitting the accumulation of huge sterling balances during the war. This criticism was carried a stage further recently in a statement made by the President of the Federation of Indian Chambers of Commerce and Industry. His contention was that the maintenance of Indian sterling balances in London, on the ground that they would assist India's purchases after the war, really meant that they were designed to provide an assured market for British exports. He maintained that such credits should be used for "constructive purposes" during the war, and that India should have a free hand to make purchases in the cheapest and best markets—outside Britain if necessary. One of the resolutions passed by the Federation was that sterling balances should be used to repatriate British commercial investments in India. All this has, of course, been heard before, and betrays the usual confusion of economic and political considerations. India's conversion from a debtor to a creditor nation in so short a space of time has been largely due to the fact that Great Britain has shouldered so large a proportion of the cost of Indian defence. This has enabled India to repatriate the whole of its public debt, and to accumulate sterling which, however much it may stimulate British export industries, will mean considerably more to India at a time when its reconstruction needs will be at a maximum. The statement that India should use these balances for constructive purposes now must be classed as purely propagandist. Now that the United States is in the war, what nation could supply India with goods, and in whose ships are they to be carried? Freedom to buy in the cheapest market after the war is, of course, a different matter. Whether it will be possible to convert overseas sterling balances into other currencies without endangering the stability of sterling must depend entirely on what success is achieved in establishing a truly international exchange and trading regime. Another criticism voiced by the Federation was that accumulated stocks of silver were being sold at a low price compared with that paid to US and Mexican sellers. This also is beside the mark. The silver which the British Treasury now sells at 23½d. was probably bought from the Indian Government some time before Bombay silver prices rose to their present inflated level. The fact that Great Britain may obtain Lend-Lease supplies of silver from the United States suggests that further shipments from India are not contemplated.

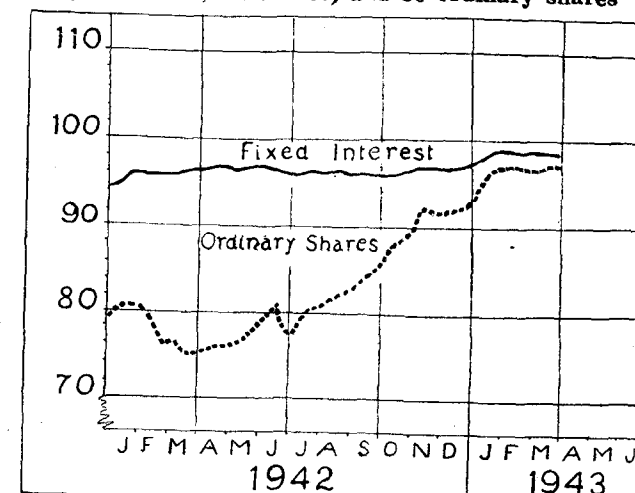
Investment

Gold Mines Again

As was indicated last week, the general course of markets has recently been upward. The attached chart of indices of the *Financial News* shows a 1½ per cent rise in equities, and a very minor appreciation in fixed interest stocks, to which the Funds made little contribution. The feature of the month has been the recovery in diamond shares and gold mining shares situated in the Union of South Africa, while towards the end of the month, internationals, foreign bonds and West African gold mining shares were also in demand. This general picture suggests strongly the belief among investors that there are greater rewards to be obtained outside this country than within it, at least until such time as the official attitude towards private enterprise is more clearly defined. That is, however, not the whole story so far as gold mining shares are concerned. The turnover in these, as judged by the number of bargains received, has more than once been rather greater than at the time of the sharp burst of activity in mining shares in November last. At that time, the market was perturbed at the course of events. There was talk of the dangers of ragged speculation, and special steps were, in fact, taken to curb it. On this occasion, not a word has been heard of such ideas in connection with the boomlet in Kaffirs, which is now considered not only respectable, but also soundly based. The reason for this change of attitude is, immediately, that the present buying comes from quarters which are normally considered to be reasonably well informed. Less directly, it is the belief that recent indications of post-war policy for the regulation of international exchanges point to the continued use of gold. Full particulars of individual plans have still to be revealed, and there is no certainty of an early agreement, but it is possible that the buyers are really better informed than the public. However that may be, it will effect the long-term outlook for the industry only. There is every reason to look for a further minor deterioration in conditions while the war lasts. Mr Carleton Jones, President of the Chamber of

Mines, stated at the annual meeting this week that the effect of the special contribution of the gold mines to the revenue of the Union was, in large measure, to nullify the revision of taxation granted in 1936, which was based on the encouragement of mining of low-grade ore. So long as the

FIXED INTEREST AND EQUITY SECURITY
MOVEMENTS (July 1, 1935=100)
Financial News indices of 20 fixed-interest securities
(converted to new base) and 30 ordinary shares



present tax continues, it will restrict development and reduce the theoretical life of the mines. There can be very little doubt that South Africa will do her utmost to maintain the yield of this wasting asset once the war is over. It is, however, an asset of rather limited life, and every effort

REFUGE ASSURANCE COMPANY LIMITED.

CHIEF OFFICE : OXFORD STREET, MANCHESTER, 1.

Summary of Directors' Report for the year ended 31st December, 1942.

Total Income for the year, £14,285,019.

Total Assets at end of the year, £81,441,037.

Total Claims Paid in the year, £7,448,627. The Company has paid £147,917,102, in claims since its establishment.

The Total Assurances existing on December 31st, 1942, amounted to £85,010,818 in the Ordinary Branch and £129,074,681 in the Industrial Branch.

Ordinary Branch : Bonus of £1 per cent. for 1939, 1940, 1941 and 1942 declared on participating policies which become claims during the ensuing year. Surplus carried forward is £2,440,925.

Industrial Branch : £436,227 Profits allocated to Policyholders.

J. WILCOCK HOLGATE, *Chairman.*

FIRE DAMAGE CAUSED BY
1,000 FIRES A DAY
HAMPERING WAR EFFORT.

**Most fires are caused
by 'careful' people**

Don't just be careful—take EXTRA care

ISSUED AS PART OF THE FIRE OFFICES' COMMITTEE
CAMPAIGN AGAINST FIRE WASTAGE.

should be made to obtain a greater diversity of output from the Union. Whether the mines will be allowed to distribute large sums, or whether a high proportion of their gross output will be taken to assist new developments, is a matter on which there is, as yet, no information.

18B for Industry?

In reply to two detailed questions as to the reasons for taking over the shares of Short Brothers, Sir Stafford Cripps has refused all information, merely stating that the measure was essential to obtain control of the business. On a further point as to the return of the shares after the war, the Minister pointed out that Regulation 78 makes no provision in this respect, and stated that it would not be competent or appropriate for him to take steps now to ensure the return of the shares at the end of the war. He did say, however, that there was nothing in the existing position which would preclude the Government of the day from making such further provision, should it wish to do so. A situation is thus created in which the Minister can, without reason given, take over the shares in any company and control or alter its management. It is perfectly possible to conceive circumstances in which the total acquisition of a company is desirable in the national interest; where these are fulfilled it is the duty of the Minister to take the steps required. But all those concerned are entitled to a clear statement, so that they may themselves judge whether the step is right or not. The absence of any provision for divesting the Government of such holdings at the end of the war is alarming both to investors and industrialists, and is likely to be destructive of good-will in the one and initiative in the other. The matter ought not to be allowed to rest where it lies. Meanwhile the date to which the price-fixing mechanism is to apply has been fixed, but there is so far no indication of what the price is, in fact, to be. The appointment of an imposing new board will reassure the country as to the output of Short Brothers, but it has done nothing to allay the anxiety that has been expressed on the general issue.

Barrow Haematite Deal

The decision of the Ministry of Supply to take over part of the business of Barrow Haematite Steel Co., coming as it did on the heels of the Short Brothers vesting, has added to the questioning of investors and industrialists alike about the long-term intentions of the Government. Here again no explanation has been given. The concern is a vertical combine, and the Ministry is taking over the more advanced processes, namely, the steel works and the hoop and bar mills, with all assets attaching to them, including benefit of contracts. The payment for these is £335,000 for plant and benefit of contracts and £305,000 for products, stores and loose materials. This leaves Barrow Haematite with iron mines, limestone quarries, blast furnaces and investments. The shareholders are invited to accept this offer, but without being informed as to the value of the assets remaining. This is buying a pig in a poke with a vengeance. It is true that an opportunity for inspection of the contract is provided, but there will be few shareholders who can benefit from this permission or assess the value of the offer if they did. The directors have, admittedly, found the offer acceptable, and the cash will doubtless be useful at some later date for developing the properties which remain; but there can be no possible reason for withholding the only information upon which a reasonable assessment of the offer can be based. The Ministry of Supply ought not only to explain its reasons for the acquisition—if it was merely lack of finance, as seems to be the case, there are other means of providing that—it should also insist upon full information being given to shareholders.

Two-Way Proxies

The ease with which the best laid plans go astray has been strikingly illustrated in the case of the recent regulations of the Stock Exchange with regard to two-way proxies. As was pointed out in *The Economist* of February 20th, that institution prescribed, among its requirements in the case of schemes affecting shareholders' rights, that proxies should be so drawn that it was as easy

to vote against as for the resolution. Beyond that, no specific form of proxy was stipulated. Of late, there has been a growing practice of making a proxy just a voting paper, instead of actually nominating a stated person to represent one at the meeting. Some few weeks ago the Ceylon Amalgamated Tea and Rubber Estates sent such proxies to its shareholders in order that they might vote on resolutions which required a three-quarters majority to carry them. The chairman went to the meeting with proxies giving, very roughly, two votes in his favour for one against. The vote was thus lost. But the resolutions were put to the meeting and carried *nem. con.* on a show of hands. The company's solicitor thereupon advised the chairman that he had no alternative but to declare them carried. A Gilbertian state of affairs! The dissentients are testing the legality of this procedure by serving a writ on the company to restrain it from acting on the resolution. Nothing can be done until the position is cleared up. Whatever the law may prove to be, it seems desirable that there should be an assurance that proxy votes should in fact be used if taken. Ought the Stock Exchange to insist upon the rather cumbersome business of voting only through a properly appointed representative, or should it regard this case as quite exceptional?

Radio Amalgamation

There has been a further development this week in the matter of the negotiations for a fusion between A. C. Cossor, radio manufacturers, and another concern, variously stated to be EMI, Philco and others. It may be recalled that Sir Louis Sterling, chairman of Cossor, complained that Mr. Macauley had been negotiating without his knowledge. Sir Louis, who until a few months before the war, was managing director of EMI, has now resigned, and the negotiations are to be continued. It is not a matter of national importance whether or no A. C. Cossor is to be taken over by EMI or by another concern, although shareholders may feel that their chances are better as part of a larger organisation. The rise in the shares can, however, scarcely be justified merely by the prospect of a fusion until its terms are known. The rise is perhaps based on certain comment, appearing in some sections of the Press, which looks to the absorption of Cossor as merely the first step in a complete consolidation of the radio and gramophone industry. The argument is that trade associations are not enough to secure prosperity, and that complete financial control is essential. That is to say, an attempt is to be made to create a monopoly in one of the newest industries, and one in which the possibilities of development are still quite unpredictable. Such a project would be laughable were it not for the fact that there already exists a virtual monopoly in the supply of certain elements, and that it might be very difficult for a small firm which had to fight its way to break the ring. The comments may, of course, be the purest surmise, but it is to be hoped that the authorities, despite the admitted convenience of dealing with a minimum number of concerns, will set their face against any development which would threaten to reduce the element of effective competition in this, or any other, new and growing industry.

Still More Black-Out

The Paper Control has always been unfortunate in the orders it has made on matters concerning the investor. For many months it left the field of official forms untouched, although it was evident that a huge saving might be made without loss to anyone. At the same time, it attempted to impose regulations which would have completely dislocated the work of the stock market. Now, having for three years allowed great waste of paper in company circulars and annual accounts, it has made a regulation which, if complied with, must drastically restrict the information supplied. To insist that the statutory accounts, notice of meeting, explanation and chairman's comments are to be got within the space of 120 square inches means that the type will be so small as to be scarcely readable, or that much important information will be excluded. It further appears that the address of the recipient has to be included within this space, which further reduces it, probably by one-sixth. The sole concession is that, where consolidated accounts are presented, the space occupied may be increased by 50 per cent. Any one who has studied published accounts knows that there

is a very great variation in the space which is required adequately to set out the information which the shareholder ought to have. In the case of rubber companies in enemy-occupied territory, the publication of statutory accounts might be waived, on condition that certain particulars were stated, but, even in war-time, some concerns ought to be compelled to give more information than they do. Now there is to be every encouragement to secrecy, and there can be no doubt that many directorates will take full advantage of it. Meanwhile, the company which has performed its duties to its proprietors, and the public, in a reasonable manner is in future to be prevented from doing so. If so drastic a cut were absolutely essential in this particular form of publication, it would be a striking criticism of the control's past policy, but until economy has been carried much further in other fields it is difficult to believe that this step is unavoidable. If, however, the control is bent on securing a large economy here, the Ministry of Supply should at least grant a special dispensation to those who show that the information which they wish to give could not be brought within the prescribed limit. This would at least give some encouragement to those of good will. There is little danger that they would be so numerous as to cause the Ministry any embarrassment.

Company Notes

Armaments Profits

The full accounts of *Vickers* for 1942 reveal total profits struck after tax, deferred repairs and contingencies provisions, of £1,031,450 against £977,755. As stated in *The Economist* of March 20th, earnings for the unchanged 10 per cent ordinary dividend are in consequence slightly higher at 21.1 against 19.4 per cent on the ordinary capital. *Vickers-Armstrong*, the largest operating subsidiary, reveals a similar rise in profits, struck on the same basis, from £1,521,023 against £1,643,987. Comparison with the previous year's accounts suggests that some £410,000 was set aside for deferred repairs and contingencies, against an undisclosed sum this year. Depreciation, however, receives

£100,000 more at £850,000. The tax free ordinary dividend is raised from 5 to 5½ per cent, covered by earned rates of 5.7 and 6.1 per cent, respectively, while an addition of some £43,000 to the carry forward raises it to £318,494. A similar experience is revealed by the accounts of *English Steel Corporation*, dealt with in *The Economist* of March 27th, total disclosed profits rising from £662,347 to £708,958. A severe contraction in the liquid assets, excluding inter company balances, of *Vickers* from £2,643,099 to only £748,485 arises from the provision of additional finance to *Vickers-Armstrong*, its chief effect being to reduce government securities by some £1,122,000 to £1,462,864, while the actual loan outstanding to *Vickers-Armstrong* has risen from £6,395,155 to £8,517,007. The latter's balance sheet gives a truer impression of the group's contribution to the war effort. Stocks are over £10 millions higher at £61,316,080, while a 60 per cent increase in debtors brings this item to £14,199,069. Cash, however, is reduced by almost half at £1,117,559. Excluding the *Vickers* loan, net liquid assets have risen about £2,700,000 to £11,499,339. At best such figures can only provide the slightest indication of the actual scope of the country's largest steel and engineering undertaking, since the numerous shadow factories' accounts are excluded. Further, the failure to reveal the amount appropriated for deferred repairs makes it even more difficult than in the past to form any idea of the true position of the group. It is to be hoped that, in the national interest, the current year will bring still further expansion, but this will have to come from more efficient working rather than from increased supplies of manpower and machinery. The 10s. shares of *Vickers* at 20s. 1½d. ex dividend yield £4 19s. 4d. per cent.

Lancashire Steel Reserves

The profits of the *Lancashire Steel Corporation* for 1942 are struck after provision for estimated income tax and EPT. The net figure of £514,509 is presumably comparable with the previous year's record earnings of £511,796 after deducting £735,000 for taxation, but gross earnings have probably risen very materially. Depreciation takes

SECURITY and EFFICIENCY are essential features of well-regulated commerce.

Governments, Banks and Commercial undertakings throughout the world bear witness to the worth of **MILNERS' SECURITY.**

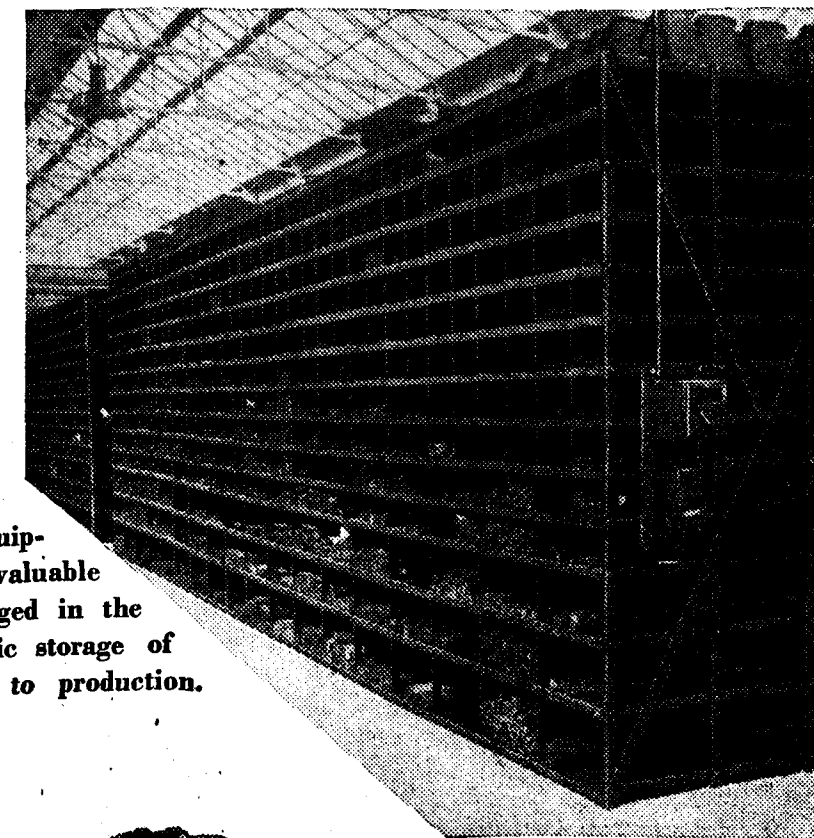
The same workmanship which has made **MILNERS' SAFES** and **STRONG-ROOMS** world-famous is embodied in **MILNERS' STEEL EQUIPMENT.**

Sound construction of well-planned equipment has enabled us to render invaluable assistance to large undertakings engaged in the war effort, for efficient and economic storage of materials and parts is a direct aid to production.



The Safe aid to efficiency.

MILNERS SAFE CO. LTD., 21, HAMPSTEAD LANE, LONDON, N.6. Telephone: MOUntview 6655



£200,000 against £175,000, and a further £60,000 has been allocated to deferred repairs, against £15,000 for plant replacement. Consequently, earnings, for the unchanged 7 per cent ordinary dividend, are reduced from 11.6 to 9.2 per cent. General reserve is increased by £35,000, or £10,000 more than in 1941, and the carry forward raised slightly to £84,684. Net profits of the *Wigan Coal Corporation*, the main subsidiary, have, after similar manipulation, increased from £102,512 to £103,030, the former figure being struck after tax payment of £124,000. The "A" and "B" ordinary shares again receive 2½ per cent out of unchanged earnings of 2.7 per cent. Both companies' balance sheets display expanded liquid assets to finance their increased outputs. *Lancashire Steel's* cash holding is some £323,000 higher at £889,666, while tax certificates total £812,150 against £637,500. Nearly half of the liquid assets of *Wigan Coal*, totalling £1,319,256 against £1,178,912, are represented by cash. Similar expansion is evident in the consolidated balance sheet of *Lancashire Steel*, which would benefit by comparative figures. This reveals an increase in net liquid assets of £153,000 to £1,505,654, cash alone standing at £1,052,148. The dominant feature of the official control has been the great improvement in the group's financial position. At end 1935, all reserves and undistributed profits totalled £678,876, rising to £1,425,544 by end 1938, while the latest figure is £2,444,664. In view of the increasing public interest in the equity of this company, this, and the experience of official control elsewhere in the industry, should be borne in mind. What constitutes adequate protection of the concern's assets in the uncertain post-war period may well become a much-debated topic. At the current price of 22s. ex dividend, the £1 ordinary "A" shares of *Lancashire Steel* yield £6 7s. 3d. per cent.

Department Store Accounts

The extent of last year's remarkable recovery in the earning power of the London department stores is underlined by the analysis of the profits of four leading concerns contained in the following table:—

Company (Years ending Jan. 31)	Disclosed Profits	Earned for Ordinary		Dividend	March 31, 1943	
		Amount*	Rate		Price	Yield
<i>John Barker</i> :						
1941.....	£ 1,398,672	£ 140,722	14.7	10	Ex div. £1 ord. shares at 62½	£ s. d. 3 4 0
1942.....	1,433,699	197,573	25.7	10		
1943.....	1,627,916	288,882	42.2	10		
<i>Harrods</i> :						
1941.....	1,951,760	135,609	5.3	4	£1 ord. stock at 46½	2 12 2
1942.....	2,029,877	115,120	5.4	5		
1943.....	2,232,020	139,840	6.6	6		
<i>Selfridges Ltd.</i> :						
1941.....	296,758	84,970	11.0	6	Selfridge (Holdings) 6% cum. pref. stk. at 17½	Nil
1942.....	441,324	126,011	12.7	12½		
1943.....						
<i>Swan & Edgar</i> :						
1941.....	61,035	38,318	3.1	3	£1 ord. shares at 17½	4 14 1
1942.....	61,030	38,536	3.1	3		
1943.....	68,685	51,013	4.2	4		

* In all cases before tax on equity payments: for Harrods in 1943 after tax for two years, except tax on dividends.

No direct comparison can be made between the total profits figures disclosed by any two companies. Those revealed by *John Barker* and *Harrods* are struck before the main administrative expenses; those by *Swan and Edgar* and *Selfridges, Limited*—the newly constructed operating con-

cern—after administrative expenses, but still before all taxation. The figures of amounts and rates earned for equity capital are, however, generally comparable as between different companies. The improvement shown by *John Barker*, whose equity earnings have risen 40 per cent in the past year and trebled in rate in the past two years, is, of course, exceptionally good. The improvement shown by *Harrods* is an understatement, since two years' tax provision, covering estimated liability to January, 1944, has been provided from the latest accounts. Thus, the cover of 6.6 per cent for the ordinary dividend, raised from 5 to 6 per cent, should certainly show an increase this year, if earning power is maintained. The new *Selfridge* set-up has justified itself with a payment to the holding company of 12½ against 6 per cent, but the whole of the increased payment has been absorbed by prior charges, and it will be some time yet before the public receives a dividend. The 1 per cent rise in the *Swan and Edgar* payment to 4 per cent leaves *John Barker*, perhaps the most successful of the London stores, as the only one of the four concerns discussed here which has failed to raise its equity dividend. The reason is twofold. The management is attempting to implement a dividend stabilisation policy. Only in 1939-40 was the ordinary payment reduced—to 5 per cent from the customary 10 per cent level. Although total profits last year reached the highest level of the past decade, an increased payment would clearly be out of step with managerial policy. In the second place, the concern was interrupted by the outbreak of war in the middle of a far-reaching scheme of physical reconstruction. Allocations to reserves, rebuilding and depreciation are being maintained at a high level so that the completion of the scheme need not be delayed by lack of cash.

The Balance Sheet Aspect

Although the improvement in profits of the London department stores appears to have been general, the balance sheets of the various concerns by no means all tell the same story. In the absence of the accounts of all the concerns, it is too early to attempt to provide a complete explanation. But it seems likely that the recovery has been caused by a number of factors which have exercised a varying influence on the fortunes of individual companies. Thus, the balance sheets of *John Barker* and *Harrods*, two of the most successful concerns, show a rise in creditors and a decline in debtors. There is, however, a wide divergence in the movement of stocks which in the case of the former have fallen from £1,002,010 to £875,779 over the past two years while those of *Harrods* have risen in the same period from £1,116,165 to £1,517,072. There seems little doubt that all concerns have in some measure profited from a return of custom following the end of heavy bombing and from a tendency to purchase better quality goods. There is also a general saving on advertising and other expenditure now restricted by the Government. Both *Harrods* and *Barker* show an increase in cash holdings, evidence of inability to increase stocks. There is a rise in *Harrods'* net liquid assets from £481,552 to £563,157, and in those of *John Barker* from £593,417 to £795,533. The totals of free reserves and carry forward available for reconstruction are considerable; for *Harrods* £1,781,428 and for *Barker* £1,460,512. In both cases, the financial set up is completely satisfactory and the trading record, in the face of wartime difficulties, considerably better than could have been expected. None the less, at current yields, the ordinary capital of both concerns appears to be slightly overvalued.

hand, would include commodities subject to disturbing influences, such as the transition from war to peace, structural changes in production caused by the war, competition arising from different standards of living, the trade cycle, and the impact upon industry and trade of scientific progress and air transport. Such goods would be given special treatment by means of volume control, price control, buffer stocks, lend-lease exchanges, or exceptional tariff rates. No commodity would be eligible for Part II unless it could be shown that trade in it was clearly and substantially influenced by one of the five special factors, and that it formed an important percentage either of the trade between two

negotiating countries, or of the total economic activity of one of them. Third party countries would have to be informed beforehand of commodities for which special treatment was claimed, and, if some international economic council were formed, it should be informed of all Part II agreements which, moreover, might be subject to a time limit. If special treatment can no longer be justified for particular goods, these should be transferred to Part I; similarly, there should be provision for transferring goods from Part I to the group of commodities eligible for special treatment. Part II should not become a refuge of inefficiency. Sir Raymond's plan has all the apparent attraction of a neat, simple and logical solution of a difficult problem. But it would be self-deception to think that all that is needed for a smooth and expanding world trade after the war is a formula or a mechanism. The application of Sir Raymond's formula could lead to ossification as well as expansion. His maximum tariff under Part I might become a minimum. Pressure for special treatment might swell the list of commodities included in Part II—what commodities are not subject to "disturbing influences"? Countries with high standards of living might claim special treatment for the major part of their exports. In the last resort the channels of trade will only be freed from obstruction by nations which genuinely wish, severally and jointly, to do so.

Trade Disputes

It is, perhaps, inevitable, at a time when wage increases are being won in various branches of industry and the bargaining power of the workers generally is strengthened as a result of labour shortage, that industrial unrest should develop. During 1942, 1,527,000 working days were lost owing to strikes affecting 454,800 workers, compared with 1,079,000 days lost through strikes affecting 361,500 workers in 1941. These figures, however, compare very favourably with the record of the last war, when the number of working days lost as a result of trade disputes increased from 2,450,000 in 1916 to nearly 5,990,000 in 1918. That there have not been more strikes during the present war is a tribute to the workers' co-operation in the war effort and to the leadership of the trade unions. It is probably also due to the advances in earnings secured since 1939. It is therefore all the more regrettable when localised, unauthorised strikes should break out, dislocating production and penalising those workers who realise the adverse effect on output of stoppages. The most serious outbreak recently has been a crop of strikes in engineering firms in the West Riding over the award of the National Arbitration Tribunal. The award was framed in such complicated language that it is hardly surprising that its interpretation should have given rise to confusion. The Tribunal granted an increase of 6s. a week to the bonus of plain time-workers, a consolidation of 20s. of the bonus in the basic rates and an adjustment of piecework prices and "bonus or basis times" to enable an average worker to earn at least 27½ per cent over basic time rates, excluding the national bonus. The Yorkshire strikes, which affected some 3,000 engineers in 14 firms, were due to the fact that under a clause in the award the advance apparently did not apply to time workers who were already receiving 6s. a week or more through their firms' bonus schemes or merit-rating. The strikes have now been settled, the men having accepted the employers' offer to pay the 6s. increase to men working on other than piecework systems on the basic rate and to pay overtime computed on the new rate. Another unofficial strike is that of a few hundred railwaymen in the Stratford locomotive depot of the LNER. For three Sundays running the men have struck because a fireman was sentenced to imprisonment for spreading disaffection among the troops. This strike is frowned upon by the union leaders. A number of wage claims are now pending, the most important being the joint demand of the three unions of railway workers for increases, and those of 200,000 bus and tram drivers and conductors which are being considered by a special tribunal.

Retail Trade

During the retail year ended January, 1942, the average daily value of sales reported to the Bank of England was slightly smaller than in the preceding year; during 1942-43 there was a slight increase but, as the accompanying table, taken from last week's *Board of Trade Journal* shows, this was due to a rise in the value of food sales. Unfortunately, the Bank of England returns, while they are becoming more representative of the general trend in the value of sales—sales reported during the past year amounted to £420

millions, equivalent to about one-fifth of the total value of retail sales of the goods included—do not record changes in the physical volume of turnover. True, the official index of the cost of living has remained almost unchanged for two years; but there can be little doubt that the average prices of the goods included in the Bank of England returns

Class of Merchandise	SALES (AT SELLING VALUE) COMPARED WITH A YEAR EARLIER	
	Feb.-Jan., 1941-42, compared with 1940-41	Feb.-Jan., 1942-43, compared with 1941-42
Piece goods*	+ 4.5	- 0.7
(i) Household goods	+ 19.0	- 7.1
(ii) Dress materials	- 6.6	+ 5.3
Women's wear	- 10.2	+ 0.5
Men's and Boys' wear	- 13.5	- 4.8
Boots and shoes	- 0.8	+ 3.1
Furnishing departments	- 5.0	+ 3.3
Hardware	- 5.6	- 10.8
Fancy Departments	+ 3.5	- 0.2
Sports and travel	- 11.1	- 17.3
Miscellaneous and unspecified	+ 1.8	+ 6.0
Total—non-food merchandise	- 5.4	- 0.1
Food and perishables	- 1.5	+ 3.5
TOTAL	- 3.2	+ 1.9
Scotland	- 0.3	+ 2.1
North-East	- 1.3	+ 2.0
North-West	- 1.6	+ 1.0
Midlands and S. Wales	- 2.4	+ 0.4
South of England	- 2.6	- 2.5
London (Central and West End)	+ 2.1	+ 14.9
London (Suburban)	- 4.5	+ 5.8
Unallocated	...	+ 2.5

* Including some goods for which separate particulars under the sub-headings are not available.

were somewhat higher in 1942-43 than in the preceding year and that the total volume of sales has shown a fall. The rate of decline last year appears to have been moderate; it may well be more marked in 1943.

Utility Furniture

More classes of persons now qualify for permits to purchase utility furniture. Couples with children, who propose to establish independent homes for the first time, can get permits regardless of the date of marriage. People rehoused by local authorities will be able to buy utility furniture. This provision will mean that the 3,000 agricultural labourers' cottages which are to be built may be furnished with utility furniture. The third new provision is that children may have their own chests of drawers. Previously these were supplied only for adults. The allocation of permits began in January, when 7,000 were granted. In February, the figure was 11,500, and it is believed that more were given in March. Nearly 40,000 applications were made during January and February, but the proportion refused because they were not included in the scheme was considerably lower in the latter month. About 100 appeals were made against decisions not to grant permits. The quantity of utility furniture being made is well within the demand, and production is increasing steadily.

Summer Fish

During the next six months larger quantities of fish will be landed, and the Ministry of Food has taken advantage of this fact to lower prices and to relax certain of the (Continued on page 443.)

Industry and Trade

A Plan for Exports

Sir Raymond Streat, chairman of the Cotton Board, outlined a plan for exports—or, rather, a revised version of an earlier plan—in an address to the American Chamber of Commerce in London last Tuesday. In this plan, post-war trade agreements would consist of two parts. Part I would comprise all goods not subject to "disturbing influences." For this group of goods there should be no quotas, prohibitions or discrimination, and no licences, except insofar as these may be temporarily necessary for reasons of exchange; and no country would be allowed to levy import duties higher than 25 per cent *ad valorem*. Part II, on the other



THE NATIONAL BANK OF SCOTLAND

Head Office: **EDINBURGH** ESTD 1825

Branches throughout **SCOTLAND**

LONDON OFFICES: 37 Nicholas Lane, E.C.4; and 18-20 Regent Street, Piccadilly Circus, S.W.1

Every description of Banking Service undertaken, including Foreign Exchange, Trustee and Executive business.

COMPANY MEETINGS

REFUGE ASSURANCE COMPANY,
LIMITED

ASSETS £81,400,000

INCOME EXCEEDS £14,200,000

FAVOURABLE MORTALITY

LOWER EXPENSE RATIOS

HOLDINGS IN NEW WAR LOANS £11,444,300

The seventy-ninth annual ordinary general meeting of the Refuge Assurance Company, Limited, was held, on the 31st ultimo, at the chief office of the company, Oxford Street, Manchester.

Mr J. Wilcock Holgate (chairman of the company) presided.

The secretary (Mr John W. Moss) having read the notice convening the meeting and the auditors' report.

The chairman, in moving the adoption of the report and accounts, said:—

Gentlemen,—I am glad to be able to put before you so satisfactory a report upon the work of the company during the past year. This success over the difficulties forced upon us by war conditions has not been lightly secured, and is the outcome of much anxious thought and of continual adjustments in our methods and organisation. Our responsibilities do not relate solely to the prudent management of the current affairs of the company, but also to its far-reaching obligations to millions of our fellow-citizens who rely on the "Refuge" for the payment in due course of the policy monies which mean so much when the contingency assured against occurs. In our industrial branch there are in force over 8 million policies, and in the ordinary branch over half a million policies, assuring in all a sum exceeding £200,000,000, covering all classes of the community over a very wide range of sums assured and exhibiting a common feature in that each policy is the individual choice of the owner and exists to fill an individual need; and we are responsible for securing that these needs are covered as they arise, as they will do throughout many years in the future.

We have to regret the loss by death on active service and through enemy action in this country of 32 members of our staff, and our sympathy goes out to those who mourn their loss. There are other members of the staff who are reported missing; and it is our earnest hope that good news will be received of them and that they, and all those other hundreds of our employees who are serving in the forces, will soon be enabled to return to their homes and families.

STAFF PROBLEMS

The question of staff has, of course, been one of our main problems. The number of our employees who have joined the armed Forces, or other forms of whole-time national service, is 2,983; and during the year our total staff suffered a further net decrease of 701. As regards the field staff the position has been met by the amalgamation of districts, by the enlarging of agencies, and by making increasing use of the services of women, and of men above military age; whilst in the chief office constant endeavours are being made to eliminate any form of work which is not absolutely essential, and the staff are working longer hours, which are bound to become even longer as more of our staff are called up. In this connection it is gratifying to record that the Kennet Committee in their Report on Man-power expressed the unanimous view that in the particular industries under review, of which life assurance was one, employers and employees alike had consistently demon-

strated the greatest willingness to perform all that is required in the national emergency.

LIGHT MORTALITY IN BOTH BRANCHES

A welcome though, in the circumstances, rather surprising feature of our operations during the year has been the unusually light mortality experienced in both branches. This feature was particularly evident in the industrial branch, where the percentage of actual to expected deaths was lower than for many years past. In the age group 20 to 29 as was perhaps unfortunately to be expected, this percentage in both branches was greater than 100, but from age 40 onwards to the extremity of age the experience was most favourable. It is very difficult to determine to what influence precisely this is attributable, but one is tempted to attach at least some importance to the effect on the national health of an overwhelming aim and purpose such as animate us to-day.

REDUCED EXPENSE RATIO

We are able to report a reduction in the expense ratio in both branches, and in this connection I might perhaps remind you that the costs of the services rendered to its policyholders by an assurance office must be met out of the premiums—just as the cost of labour and distribution appears in, and forms a very substantial part of, the price of any commodity; but just as the test applied to any purchase is whether the article is worth the money and not how the price is built up, so, in the case of life assurance, the true test is a comparison of the benefits secured, including the service given, with the premiums paid for them.

LOW RATE OF DISCONTINUANCE

Another interesting feature during the year was the extremely low rate of discontinuance in both branches, again particularly in the industrial branch. It has been the constant endeavour of the company to avoid wherever possible any termination of a policy other than by claim, and though the present unusually favourable experience is undoubtedly due in considerable measure to the abundance of employment existing to-day, yet it remains true that for many years we have recorded a steady reduction in the rate of termination, which, in the industrial branch, is to-day barely one-fifth of what it was ten years ago.

RESULTS OF YEAR'S WORKING

Turning now to the results of the year's working you will see from the accounts before you that our total premium income increased by £710,464 to £11,645,087. Our total claims were £7,448,627, which included £4,573,933 by way of maturities alone. The aggregate surplus in both branches amounted to £3,543,664, which includes £2,044,487 brought forward from the previous year, and the total assets now stand at £81,441,037, having increased by £3,714,932 during the year. I may here mention that from the outbreak of war to the present time the company, as a result of war conditions, has paid the sum of £554,627 in death claims on policies upon

the lives of members of H.M. Forces and of civilians.

ORDINARY BRANCH

In the ordinary branch the number of new policies issued was 36,620, as compared with 35,385 issued during the previous year. The new sums assured amounted to £7,027,046, a sum greater by 13 per cent. than the corresponding figure for 1941. In this branch the premium income for the year was £4,994,763, a figure greater by £335,524 than that of the previous year, and the net interest amounted to £1,329,409. The expense ratio was 12.01 as compared with 12.43 in 1941, and the life assurance fund now amounts to £41,262,815, in addition to which there is an investments reserve fund of £2,250,000. A net premium valuation, using the A24-29 ultimate table of mortality with interest at 2½ per cent. was made for the life assurances, the annuities being valued with interest at 3 per cent., and the resulting surplus was £2,604,379, which included £1,838,284 brought forward from the previous year. It is proposed to allocate to the shareholders £16,345, to set aside £147,109 for allocation to policyholders, and to carry forward the materially increased sum of £2,440,925 to meet any contingencies which may arise out of the present world situation or to be dealt with subsequently as the board may determine.

INDUSTRIAL BRANCH

In the industrial branch the premium income amounted to £6,650,323, showing an increase of £374,939 over that of the previous year. The net interest income was £1,295,001, and the life assurance fund now amounts to £34,177,405, having increased by £2,343,908 after the transfer of £200,000 to the investments reserve fund, which now amounts to £2,850,000. The expense ratio was 31.15, as against 32.58 in respect of 1941. The valuation was made on a 2½ per cent. net premium basis, additional provision being embodied to meet prospective adverse mortality due to the war, and the resulting surplus, which included £206,202 brought forward from the previous year, was £939,285. As I have already stated, the sum of £200,000 has been transferred to the investments reserve fund, and it is proposed to allocate to the shareholders £96,155, to carry forward £206,903, and to set aside £436,227 for allocation to the policyholders. The amount set aside for policyholders is allocated by way of permanently increasing the sums assured by certain policies, and by making the payment of claims arising by death or survivorship of endowment terms during the ensuing year on the basis of the latest and most favourable scale of benefits as regards those policies which have not been placed permanently upon this latest scale by this or previous allocations of surplus, together with an addition of 2½ per cent. in respect of policies, with certain exceptions, dated prior to January 1, 1938, and subsequent to July 1, 1927.

BONUS DISTRIBUTION

Having regard to the continuance of war conditions, we propose to repeat the modified form of bonus distribution in the ordinary branch adopted since the outbreak of war. The distribution to policyholders takes the form of a bonus on participating policies which become claims by death or survivorship within the twelve months commencing March 20, 1943, at the rate of £1 per cent. on the sum assured in respect of each full year's premium due and paid in 1939, 1940, 1941 and 1942 respectively. It is proposed also until further notice to allow an interim bonus on policies becoming claims by death or survivorship at the rate of £1 per cent. on the sum assured.

LARGE INCREASE IN HOLDING OF BRITISH GOVERNMENT SECURITIES

You will already have observed that the outstanding feature as regards the investments is the increase during the year of

£5,400,830 in our holding of British Government securities, bringing the aggregate under this heading to £39,372,477, which represents 48.34 per cent. of the total assets and 58.94 per cent. of our Stock Exchange securities. In this connection you will be interested to know that since the outbreak of hostilities the company has taken up, and still holds, various new War Loans amounting to £11,444,300, which is included in the above figure.

I am pleased to inform you that the aggregate value of our Stock Exchange securities materially appreciated during the year under review, and again exceeded considerably the value at which they appear in the balance-sheets, leaving intact the investments reserve funds which, on the passing of these accounts, will exceed £5,000,000.

INTEREST YIELDS

As regards the interest yields per cent. on our assurance funds, in the industrial branch the gross yield has fallen from 4.8s. 3d. in 1941 to 4.6s. 6d., and the net yield from 4.4s. 2d. to 4.0s. 1d. In the ordinary branch the gross yield has fallen from 4.11s. 2d. in 1941 to 4.9s. 0d., and the corresponding net yield from 3.6s. 9d. to 3.6s. 6d.

The geographical distribution of our investments shows the following changes during the year:—

	1941	1942
	Per cent.	Per cent.
Great Britain	88.53	91.01
Indian and Colonial	8.47	6.41
Foreign	3.00	2.58
	100.00	100.00

NATIONAL AMALGAMATED APPROVED SOCIETY

Turning now to another branch of the company's activities, I have to report that on behalf of the National Amalgamated Approved Society we administer the National Health Insurance of a membership of 847,000, an increase of 81,000 over the corresponding figure for 1941. During the year payments of benefit were made amounting to £927,931, including £76,488 in respect of maternity benefit. In addition, the further considerable sum of £40,832 was received by "Refuge" members by way of non-cash benefits. The number of new members of the Approved Society obtained during the year by "Refuge" representatives was 75,473.

The National Amalgamated Approved Society has over 3,000,000 state insurance members, and has performed its obligations towards them successfully and satisfactorily for over 30 years, its National Health Insurance benefits having been taken by its representatives—all industrial assurance agents—directly into the homes of the people during this long period. These men are performing a function which, for its successful discharge obviously calls for homely feeling and sympathy. Sir William Beveridge has suggested that the approved society system should be abolished, but I should be sorry indeed to see the friendly contact between the members of the National Amalgamated Approved Society and its present agent representatives disappear, and in its place to see National Health Insurance conducted in an atmosphere of impersonal officialdom. Sir William's justification for his proposal is the desirability of making benefits uniform for all state insured persons, but this objective could equally well be secured by suitable arrangements within the present approved society system.

It is insufficiently realised that the industrial assurance offices which are associated with an approved society act merely as agents for that society and exercise no control whatever over its finance, which, further, has always been subject to strict Government audit; whilst all approved societies have to conduct their affairs in

conformity with the National Insurance Acts and Government regulations. In fact, it is provided by Statute that an approved society shall not be conducted for profit, and that its constitution shall provide for its affairs being subject to the absolute control of its members. The approved societies fulfil a special function, and their retention would do nothing to hamper the general scheme for better social security, but would rather facilitate it. I need hardly add that this company is entirely in sympathy with, and will cordially support, any well-considered and soundly financed development of social security, and the benefit of our long experience would be freely offered in any discussions which might take place regarding how the desired objectives could best be achieved.

TRIBUTE TO STAFF

In conclusion I wish once more to acknowledge the services rendered by the company's staff in the field and at chief office during still another year of war, in which, in spite of greatly diminished numbers of experienced staff, the company has been able to carry on its work of providing life and National Health Insurance facilities in the homes of the millions of its policyholders. I am also pleased to say that the relations between the company and the Refuge Field Staff Association and the Chief Office Staff Council continue on an amicable footing.

Gentlemen, I have now much pleasure in moving the adoption of the annual report and accounts.

The report and accounts were adopted. Messrs J. Proctor-Pearson and John W. Moss were reappointed directors.

Messrs Walton Watts and Company were reappointed auditors.

The meeting closed with a vote of thanks to the chairman.

AUTOMATIC TELEPHONE
AND ELECTRIC COMPANY,
LIMITEDIMPORTANCE OF
TELECOMMUNICATION

The annual general meeting of the Automatic Telephone and Electric Company, Limited, was held on April 1st at Liverpool.

The following is an extract from the statement by the chairman, Sir Alexander Roger, K.C.I.E., circulated with the report and accounts: "The effort attained by your company during 1942 was easily the heaviest in its history, but, owing to the magnitude of taxation, the figures give little indication of our large increased turnover. Your directors recommend a dividend of 7 per cent. on the ordinary stock, making 10 per cent. for the year, plus a cash bonus of 2½ per cent. and a dividend of 10 per cent. on the deferred stock and shares, plus a cash bonus of 2½ per cent."

Some attention is being given to the question of telecommunications by Government and Parliament, but it is doubtful whether its full and vital importance has been grasped by the general public. Well in advance of other industrial countries it is less than a century since England adventured wealth, energy and ingenuity to circle the globe with the means of rapid and cheap communications. Our international trade would never have reached its pre-war proportions without these great systems.

The field is unlimited for all forms of communications and transportation, and the war will not settle international rivalry for the influence and trade which pertain thereto. On the contrary there is evidence of an increase of rivalry at this very time. Your company and the many concerns interested are in a stronger position than ever to deal with the demands likely to appear when the war is over.

SCOTTISH AMICABLE LIFE
ASSURANCE SOCIETYSATISFACTORY NEW BUSINESS
FIGURES

The 117th annual general meeting of the Scottish Amicable Life Assurance Society was held in the Merchants' House, Glasgow, on the 31st ultimo, the Right Hon J. Milne Barbour, D.L., M.P. (president of the society), presiding.

D. Bruce Warren, Esquire (Deputy Chairman of the ordinary directors), in moving the adoption of the report and accounts said: "I need hardly at this time emphasise the difficulties with which the society has had to contend during the past year. The increasing demands made on the country's manpower have led to a further reduction in the staff—70 per cent. of our pre-war male staff are now on active service—and to a further limitation of the sources from which our new business would normally be obtained. In these circumstances the net new business of £632,000—£86,000 more than in 1941—cannot be considered as other than satisfactory."

LIFE ASSURANCE A PRIME NECESSITY

A substantial proportion of this business has been obtained from existing members. Notwithstanding the many pre-occupations of war time they have realised that life assurance is still a prime necessity for the ordinary family man, and they have increased their life assurance cover to bring it into line with their domestic responsibilities and with present-day monetary conditions. I would strongly urge those of our members who have not yet considered their position to do so now.

As all the outdoor staff have either joined the Forces or have been transferred indoors the same contact cannot now be maintained with members and agents, and we must therefore rely on them to communicate with us whenever they wish to increase their assurances or introduce their friends.

The past year has seen further additions to our group pensions business, and the specialised service we can render is fully appreciated not only by employers but by their staffs.

The mortality experience has been exceptionally favourable. The claims by death, including war claims, are less by £95,000 than in 1941 and represent under 70 per cent. of the amount expected. This percentage is the lowest experienced since the new A 1924-29 tables were adopted in 1935. The interest revenue at £617,150 represents a return of £4 10s. 10d. per cent. or £3 6s. 8d. per cent. after deduction of income-tax.

FUND EXCEEDS £13,757,000

As the result of the year's operations the life assurance and annuity fund has increased by £375,521 and now stands at £13,757,042. There has been little change in the society's investments apart from the substantial increase of nearly £700,000 in British Government Securities. By investing all our new money and a large proportion of maturing securities in the new War Loans the society is taking its full share in financing the national War effort, and I would again remind you that every new life policy effected, and every premium paid to the society, enables us to give increased support to that effort.

A valuation of the investments as at December 31st last shows that the market values were in the aggregate in excess of the amount appearing in the balance sheet. The report and accounts were unanimously adopted.

TERMS OF SUBSCRIPTION
TO THE ECONOMIST

12 months - £ 5 0 0
6 months - £ 3 0 0

(Cheques to be made payable to The Economist Newspaper Ltd.)
Publishing Office:

Brettenham House - Lancaster Place,
London, W.C.2 Telephone No.: Temple 84 3316

BRITANNIC ASSURANCE COMPANY, LIMITED

LARGE SUMS INVESTED IN GOVERNMENT SECURITIES

£407,090 ALLOTTED TO POLICYHOLDERS FOR BONUSES

MR. J. A. JEFFERSON'S SPEECH

Mr J. A. Jefferson, F.I.A., chairman and general manager, presiding at the 77th ordinary general meeting of the stockholders held, on March 26, at the chief office, Broad Street Corner, Birmingham, said:

Despite war conditions and the resulting staff difficulties, the company had a very satisfactory year in 1942. The premiums collected increased by £542,000 to £6,444,000. The funds for the first time exceeded £40,000,000, an increase in the year of no less than £2,871,000.

On the outbreak of war our total male staff numbered 4,559, and no less than 1,818 members of the indoor and outdoor male staffs have been released for service in His Majesty's Forces or for other work of national importance.

During 1942 real unemployment virtually disappeared, and the total of wages earned showed a very considerable increase. With further limitation of the commodities available for the public, it was more necessary than ever for the Government to secure a greater volume of savings and at the same time to obtain revenue by means of taxation. The life assurance offices helped by attracting a considerable volume of savings in a form which served a triple purpose: Firstly, to supply a flow of new money to Government securities; secondly, to provide life assurance cover; and, thirdly, by preventing the money being spent in other directions to curb inflation.

The large increase in our premium income has been brought about not so much by new business as by the maintenance in force of existing business. Lapse rates, which were comparatively high during periods of mass unemployment, have shown a falling tendency for some years, and in 1942 were less than half the pre-war rate. Does not this prove that lapses are due to conditions of insecurity? When people have the money they do not lapse or surrender their policies, and we welcome the prospects of everyone attaining greater regularity of income after the war.

It might be as well to point out here that, especially after periods of industrial distress, an appreciable proportion of our "new business" consists of policies which have been re-entered at little or no cost to the policyholder after some temporary falling out of benefit.

THE KENNET COMMITTEE

The Kennet Committee was set up by the Government to report what practical measures could be taken to secure the greatest release of man-power in the sphere of banking and of insurance. Particulars quoted in the Report show that the total number of men employed at the outbreak of war was 88,726, and that this number had been reduced by June, 1942, to 51,172. The vacancies created had been filled by the employment of 31,253 women, and it may be pointed out that there was a reduction in the total number of men and women employed of 6,301, notwithstanding the fact that the volume of business had grown substantially since the outbreak of war. There is a practical limit to the size of the agency women with domestic responsibilities can be expected to control, and of the company's agency staff over half, or 1,670, are women—indeed, we have only 900 of our pre-war male agents still with us.

The report also showed that there were only 2,517 cases of deferment, or under 3 per cent. of the total, and recommended that we should reduce this number by 15 per cent. as soon as possible. As chair-

man of the Industrial Assurance National Service Advisory Committee dealing with deferments I am in a position to say that the industry has already gone beyond this suggestion, and the number of male deferments to-day is only about 2,000. I can say without fear of contradiction that the members of the Kennet Committee were favourably impressed with the efforts made by the Industrial Assurance Offices to release man-power.

THE BEVERIDGE REPORT

First of all I want to correct a very definite misunderstanding. It has been stated that we are out to wreck the Beveridge Plan, but so far from this being the case we have all along made it clear that we welcome any sound proposals for improving benefits and ironing out anomalies. The basic principles of the proposals aim at security and freedom from want; these are not new sentiments—they have been the goal of all the great institutions for thrift, including industrial assurance offices and friendly societies, for generations past, and less than justice has been done to the wonderful work of private enterprise in this field.

Improvements in benefits are, in our view, desirable, and can be made, but we do not agree with some of the methods suggested for giving practical effect to them. We certainly feel that there is no need to look beyond the existing organisations, which have proved their efficiency and are fully capable of administering the improved benefits. We have gained great experience and appreciation of the problems of the working classes from our long association with them, and anything to improve their lot is most welcome to us; but whatever scheme is adopted it is essential, if disappointment is to be avoided, that it should be based on sound financial principles. Sir William suggests that there is no need to wait for the coat before putting on the trousers he has designed. May I suggest that trousers usually need a pair of braces to support them, and we may find ourselves in a very peculiar situation, if sound finance in the shape of braces is not provided before the trousers are put on.

It is estimated that at the present moment 10,500,000 members, or practically one-half of the entire number insured under the National Health Scheme are being serviced by industrial assurance offices through their associated approved societies. Surpluses in these societies can only be used for the benefit of members, and the allowance for administration is exactly the same as for other approved societies, and the whole administration is under continuous scrutiny by the Government. No pecuniary advantage is, or can be, derived by the industrial offices, which simply act as paying agencies at cost price.

The future of approved societies is still in the balance, but with an intimate knowledge of the good work they have done I earnestly hope that a way may be found of using their machinery.

ORDINARY BRANCH

The premium income increased by £232,000 to £1,831,000. On the other hand, death claims fell by £27,000 to £211,000, and war claims fell by £15,000 to £26,000. The expense rate at 12.51 per cent. was very slightly in excess of the rate in the previous year. The net yield on the fund fell by 7d. per cent. to £3 8s. 7d. per cent. The ordinary branch

fund showed an increase of £905,000 and amounted to £14,327,000.

INDUSTRIAL BRANCH

The industrial branch fund increased during the year by £1,775,000 to £21,793,000 and the premium income by £310,000 to £4,605,000. The net rate of interest fell by 9d. per cent. to £3 14s. 8d. per cent. Death claims were £96,000 less than in 1941, the figure being £1,221,000, including £52,000 in respect of bonuses. War claims fell from £63,000 to £42,000. The mortality experienced was the lightest in the company's history.

The expense rate of 29.60 per cent. showed a reduction of .94 per cent. and was almost the lowest yet achieved.

VALUATION OF ASSETS

During the year our total assets increased by £2,947,000, whilst our holdings of British Government securities went up by £3,797,000 to the imposing total of £14,318,000.

At the outbreak of war our holdings of British Government securities were £6,436,000, representing 19 per cent. of our assets; to-day they represent 35 per cent., or 45 per cent. of our Stock Exchange investments.

At the moment the investment reserve funds are still intact, but I have no hesitation in asking you to approve further transfers of £150,000, which will bring these funds up to two and a half million pounds.

ANNUAL VALUATION OF LIABILITIES

The policy liabilities under all Britannic policies were valued by the net premium method on the assumption of only 2½ per cent. interest. Having regard to the strength of the valuation and the provisions made for possible contingencies, the directors feel fully justified in allocating a substantial amount of the surplus to policyholders.

In the ordinary branch the surplus disclosed is £522,824. An allocation of £207,090 to policyholders has enabled the directors to declare a bonus addition of £1 per £100 sum assured on all with-profit policies in force on December 31, 1942.

In the industrial branch the surplus disclosed is £900,632. The directors are pleased that the allocation of £200,000 to policyholders will enable them to repeat the present bonus scheme for a period of one year, commencing April 1, 1943.

The allocations from the life branches for policyholders' bonuses amount to £407,090, while the surpluses carried forward undivided in these branches amount to £590,868.

STAFF PENSION SCHEME

The transfers amount to £100,000. The scheme is non-contributory, and we are counting service with His Majesty's Forces for pension purposes.

The work of the company has been carried on most efficiently during the past year. The directors again desire to express their sincere appreciation of the willing service rendered both by the indoor and outdoor staffs.

HOOVER LIMITED

ORDINARY GENERAL MEETING

The sixth ordinary general meeting of Hoover, Limited, was held on March 31, 1943, at Perivale, Greenford, Middlesex. Mr C. B. Colston (chairman) presided, supported by Mr E. L. Colston and Mr J. A. Wykes.

The report and accounts were unanimously adopted and a final dividend of 11½ per cent. (less income tax) was declared.

The retiring director, Mr J. A. Wykes, was re-elected, and the auditors, Messrs Deloitte, Plender, Griffiths and Company and Messrs Williams Stoker and Company, were re-appointed.

The company's net profit for the year ended December 31, 1942, amounted to £322,601 (against £274,480 last year). The final dividend of 11½ per cent. made a total distribution of 15 per cent. for the year. (Last year same.)

LONDON BRICK COMPANY, LIMITED

BENEFITS OF PAST CONSERVATIVE POLICY

SIR P. MALCOLM STEWART ON POST-WAR BUILDING PLANS

The forty-third annual general meeting of the London Brick Company, Limited, was held, on the 29th ultimo, at the Connaught Rooms, Great Queen Street, London, W.C.

Sir P. Malcolm Stewart, Bart., O.B.E., Hon. LL.D., D.L., J.P., the chairman of the company, presided.

The chairman, in the course of his speech, said: The profit on trading at £233,522 is down by £132,043, but interest and income from investments at £29,009 are up by £8,574. The total revenue at £262,710 is less than that of the previous year by £123,500, a decline of close on 32 per cent. From the profits earned there has been deducted the dividend on the 8 per cent. cumulative preference stock, amounting to £32,000, and £25,000 has been allocated to general reserve, against £50,000 in the previous year.

The board recommends the payment of a dividend of 10 per cent., which will absorb £200,000, leaving an addition of £2,580 to the carry-forward. This recommendation could not have been made but for the fact that no provision has been made for depreciation from the profits of the year. This calls for explanation, as it is obviously a definite if temporary departure from long-established practice, to which I trust we shall duly be able to return.

DIVIDEND RECOMMENDATION WARRANTED

Lest any stockholders should think that our proposals unwarrantably deal with less favourable trading conditions or that we have hastily and unsoundly sought to maintain the rate of dividend, I intend to show that our recommendation is warranted and based on a policy, the possible application of which has been long foreseen. A sound policy is one the consequences of which can be calculated, and I trust you will agree that this applies to the case under review. To justify these statements I will give you some extracts from former addresses to the stockholders:—

In 1936, when the directors revalued the fixed assets by transferring £1,350,000 from general depreciation reserve and by reducing their total to £2,100,000, I said at the following annual meeting: "There is no absolute permanency of prosperity in any industry, however favourable its prospects. The advantages of present prosperity should be used to minimise the ill effects of possible future adversity. While I am not apprehensive of the immediate future, long experience of the industry convinces me of the prudence of the steps now being taken, and I trust our stockholders will be gratified at the way in which this section of the balance sheet has been cleared up."

INCREASED STABILITY

Then more recently, in 1939, I stated: "It will be readily appreciated that the effectiveness of present and future depreciation is much enhanced because of the exceptionally low figures to which our fixed assets have already been written down. Thus, from past prosperity have we provided for possible future adversity, a policy designed to give increased stability and security which can but prove advantageous to all interested in our undertaking in whatever capacity."

These statements were not based on guesswork, but prompted by hard experience of the last war and of the early years of the business, when for a period every penny of profit was ploughed back and dividends, which could have been paid, denied to increase efficiency and extend the business at a time when finance from other sources was not obtainable on reasonable terms. That was many years ago.

needed and appreciated when post-war building swings into its stride as they were eighteen months ago, when no restriction was allowed to hinder our fulfilling the then urgent requirements for the Government's programme of construction. With reference to the production side of the business, our efficiency has been diminished through the reduction of output. Higher costs have inevitably followed.

The bright side of the picture, however, is the substantial amount of war work being done at Peterborough under the supervision of Mr S. T. Baker and at Stewartby under Mr P. A. Hill. It is gratifying that our well-equipped foundry, engineering, and welding shops are all making a substantial contribution to the war effort.

NEAR AND DISTANT OUTLOOK

As to the prospects for the current year they are poor. It is impossible to anticipate other than a further shrinkage in the demand. The situation could only be changed for the better were the Government to embark on some substantial constructional programme. At present there is no evidence of this, nor do I think it is likely shortly to take place. Consequently, stockholders should expect a further reduction of the profits for the current year.

Meanwhile we can look forward to the future with confidence, since the Government is fully conscious of the necessity for getting the building industry into its stride at the earliest moment after the war, not merely to overtake the arrears of building but particularly on account of the high percentage of labour, direct and indirect, which thus will be absorbed. The building and civil engineering industries can provide a massive agency for the mitigation of unemployment. This was discovered after the last war, but, as there was a complete failure to plan adequately, the results were disastrous.

CONTROLLED PLANNING

To-day the good intention is to establish controlled planning on broad lines to embrace the many interests previously neglected, but above all to avoid ill-ordered construction. An admirable 10-year building programme has been issued jointly by the Ministers of Labour and Works. This indicates the labour force required to carry out a planned programme of building. Its magnitude, however, is such that it would appear that consideration should be given as to how far it is practicable to dovetail it into the general post-war economic picture. The scheme offers a grand target for building to be achieved over many years, and is a valuable piece of work.

Meanwhile in other directions sectional plans have been, and are being, worked out, but they remain sterile because the basic data on which they should be founded have not been determined. No effective progress can be made until the Government clearly lays down a few primary principles. The foremost of these is the urgent need to define what form the control of land is to take. Without this, planning remains ineffective; indeed, the farther it goes the greater the risk of producing plans to be scrapped.

FUTURE FULL OF PROMISE

To revert to our immediate prospects, I can only confirm that they are not encouraging. However, subject always to giving the first place to such contribution as we can make towards winning the war, you may rest assured that we shall, to the best of our ability, fulfil our responsibilities to all parties connected with our company. Present difficulties do not depress us, because we are preparing for the future, which is full of promise and offers increased opportunity for service.

The report and accounts were unanimously adopted and a dividend of 10 per cent. on the ordinary shares approved.

The auditors (Messrs Derbyshire and Co.) having been reappointed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

PROVISION FOR DEPRECIATION

Let us consider the depreciation provided since 1936, when the grand total of fixed assets was written down to £2,100,000. This figure embraced some 10,000 acres of valuable freehold clay lands reduced to their then agricultural value, our model village at Stewartby, partially built after the last war, when construction costs were high, cottages, social clubs, swimming baths, sports pavilions and canteens. These assets were all written down to a low figure, leaving our many freehold and few leasehold buildings, kilns, machinery and all fixed and loose plant, including our considerable transport equipment, at £1,750,000, or about £1 per 1,000 of annual productive capacity of bricks only.

But gratifying as the position was in 1936, we have in the five years from 1937 to 1941 inclusive written down the total of fixed assets plus additions by a further sum of £600,000, and in addition have made full provision for depreciation of motor vehicles. I think these figures speak for themselves. This heavy depreciation, provided under more favourable trading conditions, was essential if the company were to be maintained in a sound position. Clay lands economically situated steadily become exhausted, and any continued falling off in the demand for our products would make the brick kilns and plant affected virtually valueless, since there is no known effective alternative use for them.

PRUDENCE, COMMON SENSE AND EXPERIENCE

Once again hard times reign, but we have provided the means of mitigating their effect without unwisely impairing the sound financial structure of the company. The conservation of our strength in periods of prosperity enables us favourably to consider the stockholders when adversity threatens. The policy persistently practised in the past makes possible the present proposals. It has been a simple policy based on prudence, common sense, and experience, which cannot be bought ready made, but when gained should be applied.

The benefits of our policy, which it is now proposed to enjoy, have been secured through enterprise, the taking of considerable risks and a ceaseless endeavour to increase efficiency. Whatever changes we are going to witness in the industrial post-war world, progress and prosperity and efficient production cannot be secured if individual initiative, enterprise, and direct executive responsibility are cramped or damped down. Let us foster co-operation in every department of industrial life. The conception that the workers and their trade unions are in one camp and industrialists in another must be broken down. Only by the realisation of a common interest and the making of a common effort can true prosperity be achieved.

NEED FOR CO-OPERATION

Effective defence of our liberties, improved social services, freedom from want, and security for the future, all these can but be fully achieved through national prosperity. Prosperity is dependent on plentiful production, and to secure this with true efficiency the close co-operation of all parties to industry is essential.

Let us willingly accept the bonds of unity in both the industrial and political spheres, for through a united effort alone can we surmount the grave post-war difficulties which surely await us, but let us again become free individually to develop such gifts and qualities as nature has bestowed, and bountiful nature begets a vast variety of pattern.

COMPANY'S UNIQUE FACILITIES

Our unique facilities for large-scale operations will again be just as much

THE CLYDE VALLEY ELECTRICAL POWER COMPANY

STATE CONTROL AND PRIVATE ENTERPRISE

VALUE OF COMPETITION

MR R. ROBERTSON'S ADDRESS

Presiding at the annual general meeting of the Clyde Valley Electrical Power Co. in Glasgow, on Tuesday, March 30th, Mr R. Robertson, LL.D., the chairman, said: Ladies and Gentlemen,—The prohibitions imposed upon the company by the Government restricting the form of the report of the directors still apply, and I am again prevented from making the observations usual on this occasion regarding the operations of the company.

A short time ago we had the privilege of listening to the speech of the Prime Minister in which he put forward his suggestions for post-war development. I was glad to observe his tribute to private enterprise and his hopes for its continuance when he said: "... but it is all the more vital to revive at the earliest moment a widespread, healthy and vigorous private enterprise ..."

PRIVATE ENTERPRISE AND ELECTRICAL INDUSTRY

I feel that while the Government should always exercise a balancing influence between State control and private enterprise, there is no justification at present for any alteration in the control or management of the electrical industry. I am satisfied that without private enterprise the electrical industry would not have reached its present state of efficiency.

During the past few weeks the chairmen of other electricity undertakings, when addressing their shareholders, pointed out the error of transferring the industry to public boards and have in general terms shown the value of the incentive of private enterprise, with which in general I cordially agree. Without going into great detail, I should like to take this opportunity of touching upon this question in the light of the achievements of this company to which I made a general reference last year.

FALLACY OF NON-PROFIT-EARNING CONTROL

It is not disputed that power companies in general are well managed, and I have not seen any suggestion that a change in control would lead to more efficient management, but it is maintained that the primary object of companies such as ours is to exploit the consumer in order to pay high dividends to the stockholders, and that it is therefore desirable that the control of the industry be transferred to what is described as a "non-profit-earning" board. A view is sometimes held that if the stockholder had no interest in the business other than to receive a fixed rate of interest on his capital, the incentive to make profit would disappear to the benefit of all concerned, especially to the consumer of electricity. This view is quite erroneous.

One of the weaknesses of the non-profit-earning idea is that it makes no provision for losses. Revenue may fluctuate for many reasons and the surplus may be smaller than anticipated or even be non-existent, and there is always a prospect of the surplus being insufficient to meet interest. Business must therefore be conducted on cautious lines and profit must be visible in each expansion before it is commenced, otherwise more capital may require to be borrowed to pay interest, thereby endangering future stability.

BENEFIT OF COMPETITIVE FACTOR

On the other hand, the principle on which this company in common with other power companies is operated is that, being in constant competition with other sources of power, light and heat, we must sell at a

competitive price, and any surplus of the revenue remaining after meeting all the outgoings belongs to the ordinary stockholder and is available to pay a dividend or is ploughed back into the business. We are able to take business risks in the knowledge that we are not obliged to maintain the ordinary dividend. We can therefore afford to supply at prices which at first may not show any profit, and may even result in a loss, in the hope that in later years by a process of careful development the revenue may increase and a profit ultimately result which would never have been available if the initial risk had not been taken.

SOUNDNESS OF BOARD'S DIVIDEND POLICY

Some of you may know that up to 1916, that is for the first eleven years of the company's business career, no dividend was paid to the ordinary stockholder. In 1916, when the Government was borrowing at 5 per cent., the dividend paid was 2½ per cent. actual, and it was not until 1922 that the stockholders received 8 per cent. dividend. On other occasions the directors did not hesitate to reduce the dividend where the margin of profit did not warrant its maintenance at the previous rate. This policy has largely contributed to the success which the company has achieved, and has enabled it to afford supply at the present low rates. If the company had been under obligation to pay a fixed dividend in these early years, I, who have been connected with it since its inception, consider from my own knowledge that its present success could not have been achieved.

LOW UNIT PRICE

We have done our duty in the area of supply entrusted to us. That area covers almost 1,250 square miles. The density of population varies widely, being extremely sparse in many parts. The average density is moderate because we are precluded from supplying in most of the densely populated parts of the area. We supply approximately 78 per cent. of the premises in our area, which is one of the highest percentages in comparable areas throughout the country, and which would have been exceeded had it not been for the war. We have the same tariffs throughout the whole area. So long as statistics were available, our average selling price per unit was among the lowest in the country and was the lowest in Scotland.

During the 15 years up to 1939, with the exception of the year 1926, the year of the General Strike, the annual selling price per unit obtained by the company and its associate company, the Strathclyde Electricity Supply Company, Limited, for energy supplied for all purposes has been below 1d. Between 1925 and 1939 that average was reduced by over 20 per cent.

DOMESTIC CONSUMER

With regard to the domestic consumer, for a considerable number of years a consumer who made reasonable and normal use of the supply could obtain his requirements of energy at under 1d. per unit. The number of domestic consumers grew from 12,400 in 1925 to 153,000 in 1939, of whom no less than 91,000 occupy one, two or three apartment houses. Some of these houses include our best consumers, who take full advantage of our supply relative to the size of their houses. This progress would not have been achieved if the price had not been attractive and within their means.

Our domestic tariff has been steadily reduced over the last 20 years, the last reduction being in 1936. Although coal has doubled in price since that date, we have been able to continue our supply at the same low rate.

McGOWAN COMMITTEE REPORT

The McGowan Committee in 1936 made important recommendations regarding the reorganisation of the electrical industry with which your directors in the main agree. These recommendations were accepted by the Government with a promise of the introduction of legislation to give effect to them, but such legislation has not yet eventuated. To those who have a desire to obtain a knowledge of the industry I recommend a perusal of the report of that Committee. I quote a few salient paragraphs from the report bearing on the matters I have touched upon:

Paragraph 162:

"In the majority of cases it will no doubt be found that under an area scheme the power companies should be retained on a consolidated and improved basis, and if such consolidation is carried out on sound lines, substantial benefits to consumers should accrue in the area as a whole."

Paragraph 471:

"(iii) Adequate grounds do not exist for an immediate and complete reorganisation on a regional basis under public control by the setting up of regional boards which would buy out all existing undertakings. "(iv) Reorganisation should be based on the retention and utilisation, where possible, of the larger and more efficient of the existing undertakings and the absorption by such undertakings of the smaller or less efficient undertakings."

COOPER COMMITTEE

These recommendations still hold good, and nothing has arisen to justify departure from them. They were endorsed by the Committee, under the chairmanship of Lord Cooper, which last year dealt with the question of hydro-electric development in the Highlands. Dealing with the question of the transference of existing undertakings in that area to public boards, the Cooper Committee states:

"We should not have hesitated to advise even this drastic solution if we could have supported it by the prospect of resulting increased efficiency and cheaper supplies; but we have no grounds for holding out any such prospect."

We have anticipated the recommendations of the McGowan Committee regarding the inclusion of small isolated undertakings in larger undertakings. This company has from time to time taken over a number of undertakings with considerable benefit to the consumers. In one taken over in 1934 we modernised the undertaking at considerable expense and introduced our own tariffs. The result was that in five years the number of consumers which was 1,073 at time of taking over increased to 7,910.

These results have been achieved by the efforts of this company alone, and have not been caused or brought about by any extraneous means. Under the Act of 1926 we must purchase all our energy from the Central Electricity Board, and the price we have to pay is the same as it would have cost us to generate the like quantity of energy if the board had not been brought into existence.

EFFECT OF DIVIDEND ON CHARGES

It is sometimes said that the dividend paid by this company prejudicially affects the price we receive for energy, but this is not so. If the electrical industry were transferred to public boards, it would be necessary for the board to pay interest on the money borrowed from the public, and it should therefore be noted that the dividends and interest paid by the company represent less than 3½ per cent. on the capital expenditure of the company and its associate companies. A dividend of 1 per

cent. to our ordinary stockholders represents to our domestic consumers, on the average, 6½d. per annum. I have obtained figures relating to what may be described as an average power consumer. An ordinary dividend of 1 per cent. represents less than one-sixty-fourth of a penny per £ of the turnover of that consumer.

Incidentally, it is interesting to note that our contribution to local rating in 1939 was equal to a 4 per cent. dividend on the ordinary stock.

In light of the Prime Minister's observations I feel certain that before any drastic alteration is made in the management and control of a great and successful industry any such proposals will receive examination free from political or sectional bias and that the aspects of the matter to which I have drawn attention will be borne in mind. The future of the industry can best be served by development along the lines recommended by the McGowan Committee.

The board have made provision for taxation, contingency fund and war damage insurance.

TRIBUTE TO STAFF

I would again express on behalf of the board our appreciation of the very satisfactory manner in which the employees of the company have discharged their duties throughout the year. The high reputation for service enjoyed by the company among its consumers is due in large measure to the conscientious manner in which our employees discharge their duties.

I now have pleasure in moving that provision be made for the dividend on the 6 per cent. cumulative first preference stock for six months to April 30, 1943; that a final dividend of 5 per cent. on the ordinary stock be paid, which together with the interim dividend of 3 per cent. paid in September, 1942, makes a total of 8 per cent. for the year, and that the sum of £30,000 be appropriated for the credit of the staff benevolent fund.

The report and accounts were adopted.

MITCHELL COTTS AND COMPANY, LIMITED

IMPROVED FINANCIAL POSITION

The ordinary general meeting of Mitchell Cotts and Co., Limited, will be held on the 8th instant in London.

The following is an extract from the statement by the chairman (Mr Alexander Hamilton) circulated with the report and accounts:—The trading profit for the year amounts to £180,053, as compared with £176,236 for the previous year. After providing for income-tax and directors' fees, the net profit is £98,803, a small increase as compared with last year's figure of £95,366. We have already declared and paid the preference dividend for the year and a first and second interim ordinary dividend, aggregating 15 per cent. for the year—the same as previously. It was explained, when the second interim dividend was paid, that this again took the place of the usual final dividend.

The directors have transferred to general reserve £40,000, and to staff provident fund £5,000, and accordingly we are able to carry forward £52,355 to next year, which is an increase of £7,283 over the amount brought forward from the previous year. As regards the balance-sheet, the principal feature is the improvement in the company's financial position due to the repayment by subsidiary companies of sums which we had advanced to them and their depositing of funds with us.

It seems improbable that it will be practicable to produce and circulate to the members a consolidated balance-sheet during the war, but from the information available I am again happy to confirm that the margin between the net assets of our subsidiary companies and the cost of their shares to the parent company remains very satisfactory. Nine months of the company's current year have now passed and present indications are that our business is maintained.

E.N.V. ENGINEERING COMPANY, LIMITED

RECORD VOLUME OF WORK

INCIDENCE OF TAXATION

The annual general meeting of the E.N.V. Engineering Company, Limited, was held, on the 25th ultimo, at Winchester House, Old Broad Street, London, E.C.

Mr C. G. Twallin (chairman of the company), who presided, said: Ladies and gentlemen,—This is our fifteenth annual general meeting. Once again we meet under the conditions occasioned by the greatest war recorded in history.

The accounts have been in your hands for some days and I ask your permission to take them as read.

Since we met here last year I regret to say our colleague, Mr. Hugh Purdy, has passed away. He had been connected with this business as a director since 1919. On behalf of the board I desire to place on record our appreciation of his abilities. We mourn his passing, both as a business associate and as a personal friend whom we held in high regard.

The figures placed before you to-day speak for themselves. The volume of work represented exceeds any previous record, yet, in spite of this, owing to the incidence of taxation, both as regards income tax and excess profits tax, the amount available for distribution you are invited to allocate to-day is very little larger than the corresponding figure of last year. This remark is not made in the nature of a complaint; it is gratifying to be in a position to support the national effort in this way.

You will notice the amount reported on the assets side under investments is relatively rather high. This includes a portion in tax reserve certificates which will, in due course, be applied in payment of taxation; the balance is in War Bonds.

All expenditure incurred on air raid precautions and war damage contributions has been provided for and definitely written off, although some of these items are not allowable as a charge against profits by the taxing authorities.

ADEQUATE DEPRECIATION PROVIDED

You will observe that we are continuing to add to our plant, and, following our usual custom, providing adequate depreciation. I have pointed out on previous occasions the generous amount allocated to depreciation. Prevailing conditions are such that our foresight should stand us in good stead. Our machines are running long hours, and this, more than ever, calls for careful consideration when dealing with depreciation.

Our new canteen is completed and operating. This is appreciated by our workpeople, and we trust will prove beneficial to health.

We are continuing to add to our land and buildings account, and in this connection providing a reasonable sum for depreciation.

The remaining figures in the accounts I suggest require no further explanation.

The figure available for your allocation to-day is £95,570, made up as follows:—

Balance brought forward from the 1941 year	£30,533
Profit for 1942, as shown on accompanying profit and loss account	85,662
	116,195
Less redeemable preference share dividend from January 1st to September 30, 1942 ...	£1,875
Interim dividend of 7½ per cent. on the ordinary shares for 1942	18,750
	20,625
	£95,570

ALLOCATION OF PROFITS

The directors recommend this amount be allocated as follows:—

Reserve for proportion of dividend at the rate of 5 per cent. per annum, less tax, on the redeemable preference shares for the period from October 1 to December 31, 1942	£625
In payment of a final dividend of 10 per cent., less tax, on the ordinary shares for the year ended December 31, 1942	25,000
and a bonus of 8½ per cent., less tax, on the ordinary shares	21,875
In transferring to reserve account	15,000
Balance to be carried forward to following year's accounts	£95,570

You will observe there is a larger allocation to the reserve account, which, in our opinion, is a prudent measure. Our holding in Government securities has been augmented. There remains a slightly larger carry-forward to the current year's accounts. It should be noted that credit has not been taken for the rebate on E.P.T. promised by the Chancellor of the Exchequer to mature after the war. Presumably this will be taxed, so the net result is somewhat doubtful.

While our main energies are centred on helping to win the war in as short a time as possible, we are not unmindful of post-war development, every likely avenue of work receiving careful consideration.

Our thanks are due to our managing director, Mr Hukins, our works director, Mr Buskard, and the full-time working directors for their efforts in placing such a satisfactory report before you. I am sure you will also wish me to convey your thanks to our managers, foremen, charge hands and workpeople for their share in producing this result.

The report and accounts were unanimously adopted.

BRITISH ROPES, LIMITED

SATISFACTORY RESULTS

The twenty-first ordinary general meeting of British Ropes, Limited, was held, on the 30th ultimo, at 95 Gresham Street, London, Mr Herbert Smith (chairman and managing director) presiding.

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

The board have again transferred £25,000 to general reserve, bringing the reserve up to £100,000, and £5,000 has been transferred to War Damage Insurance Reserve. Your directors recommend a final payment of 7½ per cent. to the ordinary shareholders, which makes 12½ per cent. for the year. After giving effect to the above recommendations, the carry-forward is increased from £201,878 to £210,760. It must be realised that in thus adopting a prudent policy in the distribution of profits, the directors have to give consideration to the draining of cash resources by prevailing rates of taxation and other causes, and to preserve a reasonable liquidity of assets for the future.

Your subsidiary companies overseas have traded successfully throughout the year and, despite some temporary troubles due in part to world-wide shortages of raw materials, have continued to be of considerable value in enabling the execution of overseas orders, which could not be shipped from this country.

I believe that the end of the war will see the commencement of an era of industrial development in many countries which hitherto have been primarily producers of raw materials and importers of finished and consumer goods. In this connection you will agree that we have a valuable asset in our factories abroad.

The report was unanimously adopted.

SCOTTISH POWER COMPANY, LIMITED

DEVELOPMENTS IN SCOTLAND

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

Mr William Shearer, chairman of the company, in the course of his speech, said: The Report of the Cooper Committee was published in December, and is a most interesting and in many ways an impressive document, distinguished, as it is, by a display of considerable knowledge of many aspects of the problems involved. I should like to remind you of the powerful vindication of the initiative and efficiency of private enterprise contained in the references in the report to this company and the Grampian Company, and inferentially of our foresight in endeavouring by the promotion of the Affric Scheme in 1941 to secure a substantial new source of power the provision of which, at the earliest possible date, is, in the view of the committee, essential to meet the local demand for general domestic and industrial supplies.

COOPER COMMITTEE'S RECOMMENDATIONS

While these references to the efficiency and success of the great work we have accomplished are very gratifying, it would not have been unreasonable to expect that the Committee's recommendations would have provided for the continuance without interruption of our development programme. But the main recommendation of the Report is that there should be created a new public service corporation called the "North Scotland Hydro Electric Board," which should be responsible for initiating and undertaking all further generation of electricity in the Northern area (which of course includes the greater part of our existing Grampian area and the area of the City of Aberdeen), for public supply and transmission in bulk to the existing undertakers and for generation, transmission and distribution in all areas outside the limits of existing undertakers.

The Bill on February 24th received its Second Reading. In the second reading debate the Secretary of State stated he had tried his best to meet all legitimate difficulties and apprehensions. I am convinced that there are quite a number of both to be solved and allayed before this measure should be placed on the Statute Book. We rely on the assurances which the Secretary of State gave as to improvements in the Bill to the extent that barriers to full co-operation might be removed.

We can assure the right hon. gentleman that, notwithstanding our being keen exponents of the value of private enterprise, we are no less interested than he is in the well-being of Northern Scotland, and in what he and the Cooper Committee refer to as "the regeneration of the Highlands."

Indeed, we are proud of what we have achieved in this direction during the last dozen years in bringing—without any cost to the taxpayer—the amenities afforded by electricity into so many northern counties.

PLEA FOR SQUARE DEAL

In the changed circumstances we can now only ask for a square deal in the settlement of amendments to the Bill, and this I feel confident the Secretary of State will give us and the other authorised undertakers. If that is done, he may rely upon our giving him all possible co-operation.

But influences are at work, with the avowed intention of eliminating all private enterprise supply, and it may be that of municipalities also, not, I fear, on grounds of improving efficiency or the cheapening of prices to consumers, but for the satisfaction of furthering political shibboleths. I trust that the Minister of Fuel and Power will not lend an ear to any such ill-considered proposals.

The report and accounts were adopted, and a final dividend of 5½ per cent., making 8 per cent. for the year, was declared on the ordinary stock.

BRITISH ALUMINIUM COMPANY, LIMITED

INCREASED PROFIT

MR. R. W. COOPER'S STATEMENT

In the statement presented at the annual general meeting of the British Aluminium Company, Limited, held on the 30th ultimo, the chairman, Mr R. W. Cooper, said:—

The total profit for the year amounted to £1,051,119, being an increase of £77,537 over the previous year.

As will be seen by reference to the balance sheet, the 4 per cent. mortgage debenture stock outstanding has been reduced to £3,352,419, and, to meet the sinking fund payment due on January 1st of this year, the sum of £40,903 was deposited with the trustees in cash, and has since been applied against further debenture stock redemption.

Sundry creditors have increased as against the previous year by £836,830 to £3,644,712. Reserves for taxation in one form or another account for a considerable proportion of this sum and include, in accordance with our usual practice, a reserve for income tax in respect of the year just ended, which, in fact, does not become payable until 1944.

The amount owing to subsidiary companies is increased by approximately £2,000 and stands at £67,079.

SUBSTANTIAL RESERVES

We have added £50,000 to the depreciation reserve, bringing the fund up to £1,600,000, and it will be observed that the debenture stock redemption account now stands at £147,581.

Following our settled policy of building up a strong reserve account, and as the profit of the year justifies an increased allocation, we have added £150,000, as against £100,000 in the previous year, to our reserve account, bringing it up to £3,200,000.

On the other side of the account, capital expenditure incurred during the year was £52,104, while for similar expenditure we have advanced considerable sums to our subsidiary companies. On the other hand, there has been a material reduction in their current accounts, with the result that our total investment in subsidiary companies is increased by only £17,754 to £6,367,128.

Investments in allied companies stand at £1,490,942, an increase of £6,052.

Government and other securities at £421,011 show an increase of £50,000, accounted for by the purchase of further Government stock.

Stocks have decreased by £150,041, and stand at £809,731, but there is an increase of £187,316 in debtors, which total £1,453,400.

Cash on deposit and in hand amounted to £1,433,261, a substantial increase of £504,741, and in addition we hold £400,000 tax reserve certificates acquired during the year.

Contributions and premiums under the War Damage Act have been provided out of the profits of the company, as have also losses of subsidiary companies. These latter are small in amount and arise mainly by reason of certain companies being on a more or less care and maintenance basis for the time being.

ALLOCATION OF PROFITS

The dividend on the 6 per cent. cumulative preference stock takes £90,000. We recommend a final dividend of 7 per cent. on the ordinary stock, making, with the 3 per cent. interim dividend already paid, 10 per cent. for the year—requiring £300,000. This leaves a balance of £29,869 to be added to the carry-forward, raising the amount at the credit of profit and loss account to £251,997.

The report and accounts were adopted.

LANCASHIRE ELECTRIC LIGHT AND POWER COMPANY, LIMITED

SUCCESS OF PRIVATE ENTERPRISE

The annual meeting of the Lancashire Electric Light and Power Company, Limited, was held, on the 30th ultimo, in London.

Sir Joseph Nall, D.S.O., D.L., M.P. (the chairman), said that their trading results for the year 1942 were practically the same as the previous year. This was reflected in the balance on profit and loss account in the company's accounts, amounting to £184,058 compared with £181,904 in the previous year and making a total available balance of £198,165 compared with £197,288 a year ago. They were accordingly proposing to maintain their dividends at the same rates as last year.

The electricity supply industry today provided a striking example of state enterprise and private enterprise cooperating and working harmoniously for the common good, the state in this case being represented by the Central Electricity Board and the private enterprise by the company and municipal undertakings. The function of municipal undertakings in electricity was more comparable to private enterprise than it was to nationalisation.

Within that structure the industry as a whole was fully alive to the onward march of progress, and the various associations representing the several types of undertakings were giving detailed consideration as to what was likely to be required of the industry when the war was over. He believed that general agreement should be possible in that matter over a wide field of problems affecting the future of electricity supply. The McGowan Report stood out as a monumental work of reference on that subject.

The report was adopted.

CONSOLIDATED AFRICAN SELECTION TRUST, LIMITED

DEMAND FOR INDUSTRIAL DIAMONDS

The adjourned annual general meeting of Consolidated African Selection Trust, Limited, will be held on the 13th instant at Selection Trust Buildings, Mason's Avenue, London, E.C.2.

The following is an extract from the report of the directors, which embodies the annual statement by Mr A. Chester Beatty, the chairman:—

The net profit for the year ended June 30, 1942, was £440,427, compared with £351,357 for the preceding year. An interim dividend of 3d. per 5s. unit of ordinary stock was paid in May, 1942, and a further dividend of 4½d. in February, 1943, both dividends being free of income tax. The last-mentioned dividend was in lieu of the usual final dividend. The distribution of a total of 7½d. free of tax compares with 6d. for the previous year. The balance sheet and the accompanying consolidated balance sheet show a strong financial position. The directors take this opportunity to make preliminary announcement of their intention to redeem on July 31, 1943, at 22s. a share, the outstanding 189,600 6½ per cent. redeemable shares of £1 each.

Notwithstanding war conditions, operations at the mines have proceeded satisfactorily. The aggregate diamond sales of this company and its subsidiary, Sierra Leone Selection Trust, Limited, for the financial year under review were substantially higher than for the preceding year. For the current year, ending June 30, 1943, the indications so far are that our sales will be maintained at this higher level.

The mines continue to make a valuable contribution to the war requirements of the United Nations. Under the impetus of war conditions, the consumption and uses of industrial diamonds are expanding.

(Continued from page 435.)

distribution provisions. Producers' prices for whole round fish will be reduced from 6s. 3d. per stone to 5s. 5d., and hake, which was 8s. 6d. per stone, is now included in the group. The course of producers' prices since April, 1940, is shown in the accompanying table. Prices were first con-

AVERAGE PRICES PAID TO FISH PRODUCERS

	(per stone)				
	Apr. 1940	Apr. 1941	Apr. 1942	Oct. 1942	Apr. 1943
	s. d.	s. d.	s. d.	s. d.	s. d.
Cod.....	5 4	13 5	6 6	6 3	5 5
Haddock.....	6 1	14 8			
Whiting.....	5 2	12 4			
Hake.....	8 5	24 11	9 0	8 6	

trolled in October, 1941. Cod and haddock landed headless will be 7s. 7d. per stone, and other headless round fish will be 7s. 1d. Dogfish and catfish prices are fixed at 5s. 5d. for whole or headless fish. Herrings, pilchards, sprats, mackerel and horse mackerel will be 3s. 3d. per stone instead of 3s. 6d. Prime fish and flat fish prices remain substantially as they were. It is proposed to raise producers' prices for the winter months, and the price for round fish will probably be 6s. 4d. per stone. Retail prices will not vary between summer and winter, and prices paid by wholesalers will be kept constant by varying the transport levy. For the next six months the levy on white fish will be 1s. per stone and 9d. for herrings, 3d. higher than

before in each case. Retail prices of round fish have been reduced by ½d. per lb, and hake prices by 2½d. Prices now range from 9½d. per lb for whole fish, to 1s. 4d. for fillets. All the price changes come into force on April 10th.

The Ministry of Food has been in consultation with the Fish Industry Joint Council, and for the summer months, in view of the larger supplies expected, it is proposed to relax certain provisions under the zoning scheme, from April 17th. The main change is in regard to wholesalers' customers' lists. Wholesalers will be required to offer to each of their registered customers (inland wholesalers) at least the quantity of fish they received during the four weeks ended March 27th last. The wholesaler may satisfy his customers' additional requirements, provided he maintains a reasonable proportion between them. Any surplus may then be disposed of, with the sole restriction that it must be within the zone. It will be necessary to revert to the old arrangement for the winter months. Certain alterations have been made in the boundaries of some zones. Some large towns have been transferred to other zones and some may draw from two parts. The Ministry admits that these measures will entail some sacrifice of transport economy, but they are considered necessary to even out supplies. An Order is to be made making it an offence to send certain "undesirable" varieties and forms of fish and fish offal as part of a merchants' entitlement.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash.

APART from a slight improvement in sentiment, the favourable course of events in Tunisia evoked little response from the markets. Thus, quotations in the gilt edged market remained virtually unchanged until midweek, when some light buying occasioned several advances of ½ for both short and long-dated loans. The foreign bond market saw some improvement in South American issues, in particular Brazilian bonds. Chinese loans were heavy throughout, falling two to three points on the week. In contrast, Japanese stocks were firm. A point rise for Transport "C" stock, and a few insignificant gains for the Southern junior and "Berwick" preference and preferred issues, were the only movements in a quiet home rail market. South American rail stocks were practically unchanged until midweek, when BA Western and Central Argentine prior charges improved. United of Havana 1906 debentures recovered some of the previous week's setback and, elsewhere, Canadian Pacific ordinary fluctuated narrowly.

The industrial market was quietly steady. Tobacco and brewery issues were generally inactive, although Guinness and Ind Coope, exceptionally, fell 1s. 3d. Apart from a loss of 1s. 6d. for De Havilland, aircraft issues were steadier this week. Motor shares were buoyant, Albion, Rover and Raleigh Holdings all advancing. Changes in the heavy industrial section were trendless and generally insignificant. Among shipping shares, Cunard and P & O deferred reflected the dull tone with losses of 6d. Textile issues continued to enjoy steady support, Bradford Dyers and British Celanese preference shares attracting attention, and among other issues to improve, Lister rose 1s. 3d. Activity in radio shares slackened off pending some official statement in connection with the proposed Cossor merger. Emmies, Cossor and E. K. Cole, however, were all higher on balance. Of the dollar stocks, Brazilian Traction and International Nickel jumped 1½ and ½ point respectively. Recent trading results drew some support to the stores group, John Barker rising 1s. 6d. on the annual report.

Profit taking in mid week followed on

the strong advance in kaffir issues, although losses were relatively small. Blyvoors was again outstanding with a net gain of 3s., and Western Reefs rose 2s. 6d., among other advances ranging from a few pence to ½. Of the diamond issues, De Beers deferred and preferred were both bought, the former rising a full point. Rubber shares were idle, although quotations remained steady. Several tea issues enjoyed gains of a few pence, but there was no great interest in the market. Oil shares were rather better than of late. Shell and Anglo-Iranian both gained 1½, but Ultramar was outstanding with a 3s. rise. VOC and Trinidad Leaseholds were both firmer in sympathy.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares	20 Fixed Int.†
Mar. 25.....	4,617	3,024	97.6	136.6
" 26.....	4,934	2,990	97.5	136.6
" 29.....	6,631	2,847	97.6	136.6
" 30.....	5,603	2,495	97.6	136.6
" 31.....	5,433	2,629	97.6	136.7

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 97.7 (Mar. 22); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). † New basis in S.E. List. § Old basis.

New York

THE encouraging war news, coupled with a steady investment demand, led to the largest turnover on Wall Street for over a year. Gains ranging up to four points were recorded for selected industrial leaders, in particular, rail and steel issues, while speculative stocks enjoyed considerable support. Despite almost continuous profit taking, many issues reached their highest levels in three years.

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

	1943		Mar. 10, 1943	Mar. 17, 1943	Mar. 24, 1943
	Low Jan. 6	High Mar. 3			
347 Industrials.....	81.1	89.6	89.2	89.8	90.5
32 Rails.....	72.6	86.1	84.4	85.2	85.1
40 Utilities.....	67.9	76.6	76.5	75.1	75.5
419 Stocks.....	78.5	87.3	86.9	87.2	87.8
Av. yield %*	5.36	4.91	4.95	4.93	4.90

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Mar. 18	Mar. 19	Mar. 20	Mar. 22	Mar. 23	Mar. 24
109.3	109.0	108.9	109.3	109.7	110.1

1943: High, 110.8, Mar. 6; Low, 99.5, Jan. 2.

Total share dealings: Mar. 25, 2,121,000; Mar. 26, 2,143,000; Mar. 27*, 798,000; Mar. 29, 1,999,000; Mar. 30, 1,938,000; Mar. 31, 1,540,000.

* Two-hour session only.

Capital Issues

Week ending April 3, 1943	Nominal Capital	Conversions	New Money
To Shareholders only	2,193,962	2,178,962	...

Particulars of Government issues appear on page 444.

Year†	Including Excluding Conversions Conversions		
	U.K.	Brit. Emp. ex U.K.	Foreign Countries.
1943.....	437,755,418	787,600	Nil
1942.....	496,028,088	189,308	27,000

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	433,730,276	609,837	4,202,905
1942.....	493,275,897	156,279	1,822,068

† Includes Government issue to Mar. 23, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Royal Bank of Canada.—Mr C. H. Hunt has been appointed manager of the West End Branch, London, of Royal Bank of Canada in succession to Mr J. A. McKillop.

Brazilian Traction, Light and Power (U.S. \$000s).—Gross earnings February 1943, \$3,918 (\$3,523). Net earnings (before depreciation and amortization) \$2,135 (\$1,841). Gross earnings two months 1943, \$7,956 (\$7,248). Net earnings two months 1943 \$4,358 (\$3,824). Temporary rates for certain of the services continue pending determination of permanent rates. Gas rationing owing to fuel shortage is now in effect in Rio, Sao Paulo and Santos.

Finance

GOVERNMENT RETURNS

For the 11 days ended Mar. 31, 1943, total ordinary revenue was £100,838,000, against ordinary expenditure of £197,370,000, and issues to sinking funds of £301,457. Thus, including sinking fund allocations of £14,370,799, the deficit accrued since April 1st is £2,817,688,000 against £2,713,806,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1942-43	April 1, 1941 to Mar. 31, 1942	April 1, 1942 to Mar. 31, 1943	10 days ended Mar. 31, 1942	11 days ended Mar. 31, 1943
ORDINARY REVENUE					
Income Tax	913,000	769,657	1,006,828	24,598	46,204
Sur-tax	78,000	74,937	75,358	2,870	4,320
Estate, etc.	90,000	90,870	93,336	2,520	3,270
Duties	15,000	14,133	15,240	500	1,700
N.D.C.	425,000	21,883	30,635	599	910
E.P.T.	1,000	247,160	346,887	6,150	9,010
Other Inld. Rev.	1,000	902	950	100	40
Total Inld. Rev.	1,522,000	1,219,542	1,569,274	37,337	65,454
Customs	438,295	378,361	459,489	17,061	11,847
Excise	366,705	325,650	425,300	12,650	17,900
Total Customs & Excise	805,000	704,011	884,789	29,711	29,747
Motor Duties	34,000	38,422	28,537	269	313
Canadian Govt. Contribution	225,000	...	224,719	...	...
P.O. (Net Receipts)	10,000	13,668	12,377	2,750	2,400
Wireless Licences	4,300	...	4,560	...	360
Crown Lands	800	950	1,000	40	40
Receipts from Sundry Loans	5,000	5,234	4,062	49	...
Miscell. Receipts	21,000	92,230	90,533	7,416	2,524
Total Ord. Rev.	2,627,100	2,074,057	2,819,573	77,572	100,838
SELF-BALANCING P.O. & Broadcasting	102,523	100,582	102,523	...	...
Total	2,729,623	2,174,639	2,922,096	77,572	100,838

Expenditure	Estimate, 1942-43	April 1, 1941 to Mar. 31, 1942	April 1, 1942 to Mar. 31, 1943	10 days ended Mar. 31, 1942	11 days ended Mar. 31, 1943
ORDINARY EXPENDITURE					
Int. & Man. of Nat. Debt	325,000	257,207	310,801	3,066	2,120
Payments to N. Ireland	9,500	9,121	9,198	1,045	1,118
Other Cons. Fund Services	7,800	7,728	7,388	84	83
Total	342,300	274,056	327,388	4,195	3,321
Supply Services	535,320	450,168	529,570	16,980	19,999
Total Ord. Exp.	877,620	724,224	856,958	17,399	19,730
SELF-BALANCING P.O. & Broadcasting	102,523	100,582	102,523	...	...
Total	980,143	824,806	959,481	17,399	19,730

After increasing Exchequer balances by £126,874 to £2,875,558, the other operations for the week (no longer shown separately) raised the gross National Debt by £94,302,801 to £16,861 million after allowing for £14 million for sinking funds.

NET ISSUES (£ thousands)	250
P.O. and Telegraph	18
Overseas Trade Guarantees	268
NET RECEIPTS (£ thousands)	2,800
P.O. and Telegraph	77
Overseas Trade Guarantees	2,877

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Mar. 26th and Apr. 1st. (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 (25-22) 17-30-40. Sweden. Krona (18-159) 17-65-95; bank notes at Bank of England, 17-40 kr. 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) 99-80-100-20; mail transfers 99-80-100-30. Panama. 99-80-100-20; mail transfers 4-02-04. Brazil. 83-64 cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (official rate);

MONTH'S CHANGES IN DEBT

NET INCREASES	NET REPAYMENTS
Treasury Bills	28,948
Nat. Sav. Certs.	26,150
3% Def. Bds.	11,428
2 1/2% Nat. War Bds.	394
1949-51	394
2 1/2% Nat. War Bds.	114,301
1951-53	114,301
3% Savings Bonds	98,154
1960-70	572
Other Debt	34,170
Ways & Means Adv.	313,917
	57,259

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits	Total Floating Debt
1942				
Mar. 31	2,620-6	195-1	496-5	3312-2
Dec. 26	1045-0	Not available	...	...
31	2,833-2	161-6	67-7	966-5
1943				
Jan. 9	1045-0	Not available	...	...
16	1040-0	...	...	...
23	1030-0	...	...	...
30	1020-0	1770-8	231-7	950-5
Feb. 6	1010-0	Not available	...	...
13	1000-0	...	...	...
20	990-0	...	...	...
27	980-0	1829-7	230-1	1000-5
Mar. 6	975-0	Not available	...	...
13	975-0	...	...	...
20	975-0	...	...	...
31	2838-9	282-5	6-5	969-0

TREASURY BILLS

Date of Tender	Amount	Average Rate of Allotment	Per Cent Allotted at Min. Rate
1942			
Mar. 27	75-0	131-6	75-0
Dec. 31	75-0	143-5	75-0
1943			
Jan. 8	75-0	133-9	75-0
15	75-0	140-0	75-0
22	75-0	148-2	75-0
29	75-0	161-0	75-0
Feb. 5	75-0	158-7	75-0
12	75-0	141-6	75-0
19	75-0	152-7	75-0
26	75-0	172-8	75-0
Mar. 5	75-0	161-7	75-0
12	75-0	164-5	75-0
19	75-0	169-9	75-0
26	75-0	157-4	75-0

On Mar. 26th applications at £99 14s. 11d. per cent for bills to be paid for on Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 11 per cent of the amount applied for, and applications at higher prices in full. Applications at £99 14s. 11d. for bills to be paid for on Monday and Tuesday were accepted in full. £75 millions of Treasury Bills are being offered on April 2nd. For the week ending March 27th, the banks will be asked for Treasury deposits to the maximum amount of £70 million.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2 1/2% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2 1/2% War Bonds 1941-53
Feb. 16	5,753	2,040	12,138	7,533
23	5,484	2,569	8,700	6,716
Mar. 2	5,143	2,136	13,367	8,377
9	6,960	2,837	27,371	50,781
16	8,834	4,405	32,718	39,223
23	5,863	2,063	8,527	11,100
30	...	...	9,864	9,468
Totals to date	750,201	552,316	1,111,870	1,99,123
* 174 weeks.	...	...	...	...

Interest free loans received by the Treasury up to Mar. 30th amounted to a total value of £55,576,187. Up to Mar. 31st, principal of Savings Certificates to the amount of £100,322,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Mar. 26th and Apr. 1st:

Egypt. Piastres (97) 97-1/2. India. Rupees (18d. per rupee) 17-18-1/2. Belgian Congo. Francs 176-1/2. China. National 2-1/2-3-1/2.

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

Forward Rates.—Forward rates for one month have remained unchanged as follows:—United States. 3 cent pm-par. Canada. 1 cent pm-par. Switzerland. 3 cents pm-par. Sweden. 3 ore pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Mar. 26th and Apr. 1st:—Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1 1/2%; 3 months

BANK OF ENGLAND

RETURNS

MARCH 31, 1943

ISSUE DEPARTMENT

Notes Issued:	£	Govt. Debt	11,015,100
In Circulation	934,532,446	Other Govt. Securities	938,079,500
In Bank, Department	15,709,272	Other Secs.	892,518
		Silver Coin	12,882
		Am't. of Fid. Issue	950,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
	950,241,718		950,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	171,172,838
Rest.	3,525,839	Other Secs.	...
Public Deps.*	5,923,488	Discounts & Advances	9,857,158
		Securities	27,274,301
Other Deps.	144,344,695		...
Other Accts.	56,830,797	Notes	15,709,272
		Gold & Silver Coin	1,164,180
	225,177,749		225,177,749

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

COMPARATIVE ANALYSIS

	1942	1943
	Apr. 1	Mar. 17
Issue Dept.		
Notes in circulation	758-8	927-8
Notes in banking department	21-4	22-9
Government debt and securities	778-1	949-2
Other securities	1-9	0-8
Silver Coin	0-0	0-0
Gold, valued at s. per fine oz.	168-0	168-0
Deposits:		
Public	20-7	6-9
Bankers'	116-3	156-1
Others	51-2	53-7
Total	188-2	216-7
Banking Dept. Secs.:		
Government	153-1	187-4
Discounts, etc.	8-1	4-1
Other	23-3	19-1
Total	184-5	210-6
Banking depart. res.	21-5	24-1
"Proportion"	11-5	11-1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £80 million to £950 million on December 1, 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
Mar. 18	23 1/2	23 1/2
" 19	23 1/2	23 1/2
" 22	23 1/2	23 1/2
" 23	23 1/2	23 1/2
" 24	23 1/2	23 1/2

The New York market price of fine silver remained at 44 1/2 cents per ounce throughout the week.

1 1/2%; 4 months, 1 1/2-1 3/4%; 6 months, 1 1/2-1 3/4%. Treasury Bills: 2 months, 1-1 1/4%; 3 months, 1 1/4-1 1/2%. Day-to-day money, 1%. Short Loans, 1-1 1/2%. Bank deposit rates 1%. Discount deposit at call 1%; at notice 1 1/4%.

NEW YORK EXCHANGE RATES

New York on	Mar. 24	Mar. 25	Mar. 26	Mar. 27	Mar. 28	Mar. 30
Cables	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
London	90-125	90-180	90-180	90-180	90-375	90-250
Montreal	23-33 1/2	23-33 1/2	23-33 1/2	23-33 1/2	23-33 1/2	23-33 1/2
Zurich	23-85	23-85	24-03 1/2	24-00	24-02 1/2	24-10
B. Aires	5-18	5-18	5-18	5-18	5-18	5-18
Rio	...	...	...	...	...	...

* Official rate 29-78. † Free rate 37-00. ‡ Bld.

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 January 1 to March 31, 1943, compared with the corresponding Quarter of the preceding Year.					Year ending March 31, 1943, compared with the preceding Year.			
	Quarter ending March 31, 1942.	Quarter ending March 31, 1943.	Increase	Decrease	Estimate for 1942-43	Year ending March 31, 1942.	Year ending March 31, 1943.	Increase.	Decrease.
ORDINARY REVENUE.	£	£	£	£	£	£	£	£	£
Inland Revenue—									
Income Tax	442,752,000	599,315,000	156,563,000	...	913,000,000	769,657,000	1,006,828,000	237,171,000	...
Sur Tax	51,200,000	54,119,000	2,919,000	...	78,000,000	74,937,000	75,358,000	421,000	...
Estate, &c., Duties	25,146,000	24,464,000	...	682,000	90,000,000	90,870,000	93,336,000	2,466,000	...
Stamps	4,240,000	4,810,000	570,000	...	15,000,000	14,133,000	15,280,000	1,147,000	...
National Defence Contribution	6,549,000	10,150,000	3,601,000	...	425,000,000	21,883,000	30,635,000	8,752,000	...
Excess Profits Tax	67,589,000	93,857,000	26,268,000	...		247,160,000	346,887,000	99,727,000	...
Other Inland Revenue Duties	625,000	630,000	5,000	...	1,000,000	902,000	950,000	48,000	...
Total Inland Revenue	598,101,000	787,345,000	189,226,000	682,000	1,522,000,000	1,219,542,000	1,569,274,000	349,732,000	...
Customs and Excise									
Customs	107,098,000	116,060,000	8,962,000	...	438,295,000	378,361,000	459,489,000	81,128,000	...
Excise	83,250,000	108,200,000	24,950,000	...	366,705,000	325,650,000	425,300,000	99,650,000	...
Total Customs and Excise	190,348,000	224,260,000	33,912,000	...	805,000,000	704,011,000	884,789,000	180,778,000	...
Motor Vehicle Duties	25,592,000	22,040,000	...	3,552,000	34,000,000	38,422,000	28,537,000	...	9,885,000
Canadian Government Contribution			...	...	225,000,000		224,719,101	224,719,101	...
Post Office (Net Receipts)	4,268,000	2,627,000	...	1,641,000	10,000,000	13,668,000	12,377,000	...	1,291,000
Wireless Licences		1,470,000	1,470,000	...	4,300,000		4,560,000	4,560,000	...
Crown Lands	240,000	280,000	40,000	...	800,000		950,000	150,000	...
Receipts from Sundry Loans	2,275,820	1,604,244	...	671,576	5,000,000	5,233,978	1,000,000	...	1,172,414
Miscellaneous Receipts	31,664,934	13,626,934	...	18,037,992	21,000,000	92,230,332	4,061,564	...	1,697,214
Total Ordinary Revenue	852,489,754	1,053,253,186	225,348,000	24,584,568	2,627,100,000	2,074,057,310	2,819,850,783	759,839,101	14,045,628
			£200,763,432 Net Increase.					£745,793,473 Net Increase.	
SELF-BALANCING REVENUE. Revenue required to meet expenditure on Post Office	23,682,000	23,123,000	...	559,000	102,523,000	100,582,000	102,523,000	1,941,000	...
Total	876,171,754	1,076,376,186	225,348,000	25,143,568	2,729,623,000	2,174,639,310	2,922,373,783	761,780,101	14,045,628
			£200,204,432 Net Increase.					£747,734,473 Net Increase.	

PROVINCIAL BANK CLEARINGS

£ thousands		Week ended		Aggregate from Jan. 1 to	
Mon.	Tue.	Mon.	Tue.	Mon.	Tue.
1942	1943	1942	1943	1942	1943
Working days:					
Birmingham	2,038	1,854	54,100	32,761	
Bradford	2,488	2,049	29,674	27,326	
Bristol	2,580	592	28,878	8,770	
Hull	867	457	10,685	9,416	
Leeds	1,141	1,547	16,278	16,088	
Leicester	883	809	11,716	11,687	
Liverpool	5,345	4,291	61,344	54,670	
Manchester	11,931	13,011	161,213	160,936	
Newcastle	1,543	1,462	21,322	19,600	
Nottingham	442	410	6,473	7,008	
Sheffield	571	582	12,242	14,215	
Southampton	146	97	1,706	1,977	
12 Towns	29,975	26,961	395,631	364,454	
Dublin*	6,788	6,225	86,716	89,532	

* Mar. 21, 1942, and Mar. 29, 1943.

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK.—Million £A's

ASSETS		Jan. 1942	Dec. 1942	Dec. 1942	Jan. 1943
Gold and English ster.		21.99	31.39	31.39	31.39
Other coin, bullion, etc.		6.55	8.34	8.56	9.07
Call money, London		33.37	48.86	47.63	53.09
Secs. and Treas. bills		83.31	163.24	158.02	158.96
Discounts and advances		25.25	19.97	20.09	20.57
LIABILITIES		Jan. 1942	Dec. 1942	Dec. 1942	Jan. 1943
Notes issued		83.36	122.11	123.36	124.11
Deposits, etc.		132.48	161.51	154.49	159.67

Egyptian Cotton Yarns.—Considerable satisfaction has been expressed in Lancashire at the report that arrangements have been made for larger exports to the United States of cotton yarn made from Egyptian cotton, chiefly for women's hosiery. The authorities consider that it is more advisable for the yarns to be produced and sent from Great Britain rather than to export Egyptian cotton to the United States to be spun there. It is reported that the quantity to be shipped from April will be about 300,000 lbs. per month. Lancashire is in a position to supply this yarn, and the arrangement will relieve the strain on the spinning capacity of mills in America. During the last month or two, the fine spinning trade in Lancashire has improved, and the special contracts which are now being given out will be beneficial. So far as war work is concerned, most of the goods required are made from American cotton.

Coal Using Equipment.—The British Coal Utilisation Research Association has been asked by the Government to set up a committee to report on the equipment of British homes for cooking and heating with coal and coke after the war. Mr Stanleigh Turner, Vice-President of the Mining Association of Great Britain, is the chairman of the new committee, on which the various Government Departments concerned with housing and fuel are represented and which also includes the leading experts on modern domestic appliances. The task of the committee will be to find how convenience, ease of operation and attractive appearance can best be combined with low running costs.

Iron and Steel Control.—The Minister of Supply has issued the Control of Iron and Steel (No. 30) (Scrap) Order (S.R. and O., 1943, No. 435), which came into force on March 29, 1943, and supersedes all previous Scrap Iron and Steel Orders. The Order has been issued principally for the purpose of combining in one document the provisions of the Nos. 14, 21, 24, 25, 27 and 29 Scrap Orders, although the opportunity has been taken of effecting a number of alterations in wording for the sake of consistency in both the body of

U.S. FEDERAL RESERVE

Million \$'s		Mar. 1942	Mar. 1943	Mar. 1943	Mar. 1943
12 U.S.R. BANKS		Mar. 1942	Mar. 1943	Mar. 1943	Mar. 1943
RESOURCES		26,111	29,443	29,407	29,403
Gold, coin, and bullion		20,483	20,443	20,407	20,403
Due from Treasury		20,840	20,854	20,858	20,852
Total reserves		344	370	391	398
Total U.S. Govt. secs.		2,244	6,090	6,266	5,950
Total bills and secs.		2,259	6,112	6,290	5,975
Total resources		24,261	28,502	29,244	28,585
LIABILITIES		Mar. 1942	Mar. 1943	Mar. 1943	Mar. 1943
F.R. notes in circ.		8,945	12,795	12,651	12,608
Excess m. bank res.		2,850	1,630	2,139	1,630
Mr. bank res. dep.		12,527	13,122	13,516	13,084
Govt. deposits		475	5	6	6
Total deposits		14,351	14,306	14,651	14,275
Total liabilities		24,261	28,502	29,244	28,585
Reserve ratio		91.0%	77.2%	76.3%	77.5%
BANK AND TREASURY RESOURCES		Mar. 1942	Mar. 1943	Mar. 1943	Mar. 1943
Monetary gold stock		22,684	22,644	22,610	22,595
Treasury cash and dep.		3,274	3,971	3,979	3,984
LIABILITIES		Mar. 1942	Mar. 1943	Mar. 1943	Mar. 1943
Money in circulation		11,462	16,295	16,115	16,065
Treasury cash and dep.		2,647	2,223	2,250	2,224

BANK OF PORTUGAL

Million escudos		Oct. 1941	Oct. 1942	Oct. 1942	Oct. 1942
ASSETS		Oct. 1941	Oct. 1942	Oct. 1942	Oct. 1942
Gold		1,329.4	1,380.4	1,380.4	1,380.4
Balance abroad		1619.4	2994.5	5020.7	5046.8
Discounts		330.5	250.5	249.3	247.5
Securities		329.4	554.8	554.8	554.8
LIABILITIES		Oct. 1941	Oct. 1942	Oct. 1942	Oct. 1942
Notes in circulation		3791.7	4948.4	4943.8	4966.6
Deposits: Government		432.2	1608.4	1611.4	1611.4
Bankers		2064.1	3996.3	4017.9	4040.0
Others		271.3	448.5	432.3	419.7
Foreign commitments		237.2	235.3	235.5	235.5

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s		Jan. 1942	Dec. 1942	Jan. 1943	Jan. 1943
ASSETS		Jan. 1942	Dec. 1942	Jan. 1943	Jan. 1943
Gold and ster. exch.		15.98	27.96	29.37	30.25
Advances to State		29.60	27.94	31.62	32.06
Investments		3.87	4.46	4.46	4.46
LIABILITIES		Jan. 1942	Dec. 1942	Jan. 1943	Jan. 1943
Bank Notes		23.89	29.99	30.36	30.10
Demand liab.: State		10.30	10.88	13.64	12.62
Banks and others		14.29	18.53	20.27	22.89
Reserve to sight liab.		32.99	47.09	44.79	46.19

SOUTH AFRICAN RESERVE BANK

Million £'s		Feb. 1942	Jan. 1943	Feb. 1943	Feb. 1943
ASSETS		Feb. 1942	Jan. 1943	Feb. 1943	Feb. 1943
Gold coin and bullion		45.29	71.96	65.13	65.28
Bills discounted		0.38	11.02	3.36	26.22
Invest. and other assets		60.00	66.75	60.48	66.36
LIABILITIES		Feb. 1942	Jan. 1943	Feb. 1943	Feb. 1943
Notes in circulation		27.04	36.74	38.26	37.25
Deposits: Government		13.80	3.77	3.47	5.84
Bankers		56.53	100.71	105.67	107.77
Others		3.60	6.14	5.02	3.79
Reserve ratio		45.4%	49.1%	43.0%	43.3%

CENTRAL BANK OF TURKEY

Million Turkish pounds		Nov. 1941	Aug. 1942	Oct. 1942	Nov. 1942
ASSETS		Nov. 1941	Aug. 1942	Oct. 1942	Nov. 1942
Gold		115.4	138.6	139.4	145.6
Clearing and other exch.		55.8	94.2	54.1	47.8
Treasury bonds		137.0	134.5	134.4	134.4
Commercial bills		297.5	332.4	395.7	431.7
Securities		54.6	55.3	55.5	55.5
Advances		177.0	258.0	257.8	260.9
LIABILITIES		Nov. 1941	Aug. 1942	Oct. 1942	Nov. 1942
Notes in circulation		511.5	609.5	679.0	720.0
Deposits		162.4	188.1	185.0	184.7
Clearing and other exch.		27.0	24.6	26.4	25.5

COMMODITY AND INDUSTRY NEWS

the Order and the specifications set out in the Price Schedules.

Rubber Control.—The use of rubber in the manufacture of soles and heels is further restricted by a new Ministry of Supply Order which came into force on April 1st. Limits are imposed on the amount of crude rubber, reclaimed rubber and zinc oxide that may be used in the vulcanised compound, and for many types of sole and heel the use of crude rubber is forbidden. The use of rubber in the manufacture of full soles is prohibited, and half-soles, heels and heel tips may not exceed a prescribed thickness. The Order also fixes a maximum volume for heels and the types of sheeting which may be manufactured. The Control of Rubber (No. 11) Order which has hitherto governed this matter is repealed by the new Order, the Control of Rubber (No. 193) Order (S.R. and O., 1943, No. 478).

Confectionery Zoning.—A zoning scheme for chocolates and sweets will be introduced shortly, and it is expected that the date of operation will be June 27th. Under the scheme the country will be divided into four zones. In general, retailers and wholesalers in a particular zone will not be able to receive supplies manufactured outside that zone, although arrangements will be made to deal with bulk transfers from one zone to another if there are surpluses or deficiencies in production. The Cocoa and Chocolate (War Time) Association and the Sugar Confectionery (War Time) Association, through whom the scheme is being operated, are arranging for the largest manufacturers to exchange their accounts so that a retailer or wholesaler in a particular zone now receiving supplies from one or more of the manufacturers situated outside that zone will, after zoning, receive supplies from one or more of the manufacturers situated near at hand within the zone.

Control of Jute.—The Ministry of Supply has made the Control of Jute (No. 5) Order (S.R. and O., 1943, No. 499), which came into force on April 1, 1943, and makes certain amendments to the Control of Jute (No. 4) Order, which in-

roduced maximum prices for sales by producers of jute yarn (including twist). The amendments include provisions for the maximum prices for twist to be applicable only to producers who also make jute yarn; the addition of a new rove yarn; the fixing of twisting charges according to the weight of yarn instead of according to the type of yarn; and the introduction of a minimum weight limitation for rove yarn and maximum weight limitations for heavy and medium yarns.

The Meat Ration.—From April 4th butchers will receive one-seventh of their meat allocation in the form of canned corned meat. Consumers will be entitled to 1s. worth butcher's meat and 2d. worth canned corned meat per week. The arrangement is said to be a temporary measure taken to conserve stocks of meat. Last year it applied from December 29, 1941, to April 26, 1942.

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

	Mar. 25, 1943	Mar. 26, 1943	Mar. 29, 1943	Mar. 30, 1943	Apr. 1, 1943
Crops	118.2	118.2	118.2	118.2	118.4
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	146.8	146.8	146.8	146.8	146.8
	Mar. 31, 1937*	Aug. 31, 1939	Mar. 31, 1942	Mar. 9, 1943	Mar. 24, 1943
Crops	147.9	92.2	115.0	115.8	118.1
Raw materials	207.3	122.9	172.7	172.7	182.3
Complete Index	175.1	106.4	140.8	141.4	146.8

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937	Aug. 30, 1939	Mar. 30, 1942	Mar. 9, 1943	Mar. 23, 1943
Cereals and Meat	93.0	66.9	110.0	109.7	110.6
Other Foods	70.4	61.1	99.5	107.3	107.3
Textiles	74.2	64.3	93.3	92.2	92.4
Minerals	113.2	95.4	130.7	135.9	135.9
Miscellaneous	87.0	77.6	119.8	124.1	126.7
Complete Index	87.2	70.3	110.3	113.5	114.2
1913=100	119.9	90.8	151.8	150.1	157.1

* Highest level reached during 1932-37 recovery.

The Chancellor's Problems

NEXT week Sir Kingsley Wood will introduce his fourth Budget. He will be faced with a further increase in Government expenditure at a stage of the war when the physical resources of the country are already fully mobilised. The policy of cutting down civilian consumption and of drawing on the stock of assets at home and abroad has already been taken almost as far as possible; and there is a limit beyond which its extension must have a harmful effect on production, either by impairing the people's capacity to work or by allowing essential plant and buildings to fall into disrepair. In particular, the Chancellor will need to be on his guard against the facile method of securing additional financial resources by allowing the purchasing power of the £ to depreciate in terms of essential goods and services.

In view of the delicate nature of the Chancellor's task this year, the need for a close estimate of expenditure and available resources is more important than ever. The view expressed in *The Economist* of April 18, 1942, on the occasion of last year's Budget that there were "signs in its make-up of the old and familiar sin of under-estimation" has been justified. Ordinary revenue in 1942-43 was £193 millions above the estimate; not counting the Canadian contribution this is an excess of eight per cent. Expenditure was £337 millions, or six per cent, above the estimate. The percentages of error are admittedly not very large, but it should be possible to do better. Probably the main reason for perennial under-estimation is to be sought in the Treasury's ostrich-like refusal to admit that there is a measure of inflation. The estimate of the National Income for 1942 at factor cost, given in *The Economist* of January 9, 1943, showed an increase of some ten per cent over the figure for 1941. It was then stated that it would be surprising if the "real" national income had risen by even half as much. There may be reasons against explicitly admitting that the currency is being inflated, however slightly; but it is surely foolish of the Treasury to carry self-deception into its own estimates. The fact that the Government has not quite succeeded in appropriating the full proportion of the national income corresponding to the value, at current prices, of the resources it has transferred to its own use is no crime. On the whole, the compound of measures designed to restrain the increase in spendable incomes, on the one hand, and of rationing and price control, on the other, has worked well. It has succeeded in limiting the rate of inflation and in diverting it to comparatively unimportant sectors of the national economy. There is certainly no danger so far of a run-away inflation. But the Chancellor must recognise that the cause which was largely responsible for the excess over his estimates in 1942-43 will still be operative in 1943-44.

In framing his Budget, then, Sir Kingsley Wood has to take account on the expenditure side, not only of additional needs at current prices, but also of the likelihood of some further increase in costs. To ignore the latest increase in engineers' wage rates, for instance, and the list of other pending wage claims, would be unrealistic. During the first quarter of this calendar year the annual rate of ordinary expenditure was £650 millions ahead of that for the whole of the financial year 1942-43. It is true that expenditure in March, the final month of the financial year, is always abnormally heavy; but the Budget for 1943-44 should be based on the likelihood that expenditure will be higher than in 1942-43 by £600-£700 millions at least, and that existing taxes will bring in a further £250-£300 millions owing to the rise in incomes.

What are the possibilities of making up at least part of the difference between this rise in expenditure and the additional yield of existing taxes by higher or new taxes that will not have harmful consequences? Without

a reform of the present system, direct taxation offers very little scope. A general increase in income tax, that is in the standard rate, might do more harm by creating hard cases than good by bringing in revenue. Powers were taken by the Chancellor two years ago to apply the surtax to incomes from £1,500 instead of from £2,000; they might now be used, though this would involve additional administrative work for comparatively little extra revenue. The overwhelming proportion of the increased national income has gone into the low income categories with incomes below £500 a year. In any but the lowest income groups, an Excess Incomes Tax might with advantage have been introduced at a much earlier stage of the war. The arguments adduced against such a tax or, indeed, against paying overtime in post-war credits, have never been convincing. But any changes in these directions at this stage are, for administrative and political reasons, unlikely. Indirect taxation, however, still offers evident scope for mopping up excess purchasing power, as the striking buoyancy of customs and excise in 1942-43 demonstrated. Although supplies of unessential goods and services have been severely curtailed, there is much to be said for putting still higher duties on tobacco and entertainment and on alcohol and non-utility clothing. *The Economist's* old suggestion of a Purchase Tax on services has not lost its validity; and a tax on advertisements is still overdue. Carefully selected taxation on these lines might bridge a substantial part of the additional difference between revenue and expenditure.

Since the new Budget will involve careful adjustments in detail rather than major changes, Parliament will have an opportunity to discuss the much-needed reform of the income tax in the light of war and post-war needs. The present system was admirable when the tax was low; but it is quite inappropriate in present conditions. In particular the system should be put on a pay-as-you-go basis without delay. There are at least three good reasons for an immediate change and only the flimsiest of arguments against the principle. The present system will cause hardship to individuals when incomes are declining or cease, as many assuredly will after the war; it will harm the national economy during a decline in the national income by accelerating the downward trend in consumers' purchases; wholesale default would bring the income tax—the best and fairest instrument of taxation—into disrepute. Instead of attempting to fit a pay-as-you-go plan into the existing system of taxation—a solution of the second-best variety—it might be the occasion for a complete change of the system, possibly on the lines of a scheme described in *The Economist* on February 7, 1942. This scheme suggested a uniform but low flat rate of tax, supplemented by a system of family allowances in cash, with an additional progressive tax on all but the lowest incomes. There would be administrative difficulties during the period of transition, but these would not outweigh the benefits to be gained.

In fact, the time has come to talk about the contribution finance can make to reconstruction. The task of finance after the war is not simply the negative one of finding the money for reforms but of persuading people to act and work in the communal interest. There are two main problems. The one is to reconcile high taxation, from which there is no escape, with enterprise and initiative. The other is to ensure the speedy replacement and efficiency of the equipment of British industry. These are problems which require careful examination, preferably by a commission of enquiry, and on which a forward-looking Chancellor might have something to say next week. An early investigation of them by some expert and impartial body, officially appointed, would be invaluable.

Economic Equipoise

TWO plans for the international exchanges have been published this week. The succinct Keynes plan, published as a White Paper on Wednesday, proposes an International Clearing Union. The more elaborate White Plan, announced in the United States almost simultaneously, describes a World Stabilisation Fund. It is perhaps, significant that, in this war, the first essays in international government for the postwar period should be economic. Currency comes first; and food is next on the agenda. Last time, in 1917-18, it was the League of Nations and the Fourteen Points that took precedence. The current approach is practical. It is concerned with specific material problems that must be solved. But, however apt or ingenious, plans to establish an equilibrium in the economic transactions of the nations after the war will fail unless the underlying conditions of agreement in the political sphere already exist. Law-abidingness, as in Aristotle's dictum, is more important than law.

The British and American plans for stability of the exchanges after the war are two tentative solutions for the same international problem. They start from the same assumptions: that the purpose of an international monetary system is to provide the conditions for a large and regular transfer of goods, services and capital among the nations, and to make it possible for countries to pay their debts or expend their credits without needlessly harmful consequences to themselves or to other nations; and that the system must not be as autocratic in its effect upon national policies as the gold standard, or as anarchic in its effect upon world conditions as exchanges fluctuating freely. Each represents an attempt to find a middle way: to secure exchange rates that shall be known and stable in the short period, but movable as policies and conditions change; that variations in exchange rates shall be generally agreed; and that these variations when made shall be calculated to bring internal price movements and world trends into harmony. They are each dependent upon mutual trust and good judgment; and there is no evident reason why these counter proposals should not lead to the agreed programme which is essential for world economic stability and expansion.

Plainly, neither will work if policies and world conditions after the war are incompatible. There is no magic in either. In the world before the Great Depression, when sterling was deliberately overvalued, when the franc was deliberately undervalued, when this country lent long and borrowed short, and when the United States first invested regardless of the productivity of its investments, then withdrew into its shell, and finally drastically increased its tariff against the goods of its debtors, no system could have worked. The underlying postulate of both the Keynes and White plans is that equilibrium, a balance between the debts and credits of each individual nation in terms of commercial and other transactions, will be physically and politically possible; that nations, with surpluses in their total balance of payments will either accept the goods and services of their debtors in return or re-lend their balances in such a way as to produce the means of repayment. It cannot too strongly be argued that the mechanism of currency and exchange depends upon the wise and orderly conduct of commerce and manufacture and upon the continued flow of investment to countries whose economic development needs assistance from outside. As the British White Paper states:

If a country lacks the productive capacity to maintain its standard of life, then a reduction in this standard is not avoidable. If its wage and price levels in terms of money are out of line with those elsewhere, a change in the rate of its foreign exchange is inevitable.

The purpose of these plans is to give time and opportunity for adjustments to be made between national policies and world conditions. But it is essential that the adjustments should be made, not only by debtors, but by creditors as well.

It is the prime virtue of the British plan for an International Clearing Union that it lays the responsibility for adjustment upon creditors as well as debtors. "In recognising that the creditor as well as the debtor may be responsible for a want of balance, the proposed institution would be breaking new ground." This approach is not carried to its logical conclusion. As the White Paper states "The appropriate provision might be to require the eventual cancellation or compulsory investment of persistent credit balances." The basic problem is to secure that the surpluses which various countries achieve are devoted to the purchase of other countries' goods or to productive investment. What the White Paper proposes is no more than that persistent creditors in the balance of international payments should consult with the Board of the Clearing Union upon ways and means of restoring equilibrium of its balances, by the expansion of domestic credit and domestic demand, by the appreciation of its currency, by the encouragement of an increase in money rates and earnings, by the reduction of tariffs and other discouragements against imports or by international development loans. But it is no longer envisaged that the sole responsibility for restoring the international balance of payments should rest, harshly and damagingly, upon the debtor countries.

In fact, the Keynes Plan reduces the problem to its elements. What is proposed is not, as some people have supposed, a multilateral clearing system, handling all international exchange transactions. It is a clearing union that will deal only with the residue of unequal balances when normal commercial and capital transactions have been completed.

The idea underlying such a union is simple, namely, to generalise the essential principle of banking as it is accepted within any closed system. This principle is the necessary equality of credits and debits. If no credits can be removed outside the clearing system, but only transferred within it, the union can never be in any difficulty as regards the honouring of cheques drawn upon it.

The problem is to permit and persuade individual countries to bring their individual accounts into balance. The member states will agree among themselves the initial value of their own currencies in terms of a new international unit, the Bancor, the value of which in terms of gold will be fixed by the governing board of the Union. Each member state will have assigned to it a quota, which shall determine its right to enjoy the credit facilities provided; and the initial quotas will be based upon the sum of each country's total trade on the average of the three pre-war years, subject to post-war revision. Each member state will agree to accept the payment of currency balances due to it from other members by a transfer of Bancor to their credit in the books of the Union. The Union is set up, not for the transaction of daily business between individual traders and banks, but for the clearing and settlement of the ultimate balances between nations. It leaves the extent and nature of exchange control and the control of capital movements to the member states; the disturbing flights of fugitive and speculative capital, for no commercial reason, as before the war, cannot, of course, be permitted in any scheme for stabilisation. It leaves it to the discretion of the member nations to form currency blocs, such as the sterling area. It is merely concerned with two fundamental facts: the size and whereabouts of international debits and credits; and the need which must exist for particular countries to adopt measures to restore equilibrium in their particular balances of payments. As has been said, the need for creditors to make adjustments is recognised. But the chief onus is still placed upon member states to prevent the accumulation of excessive debit balances in relation to the quota of credit facilities provided. When a debit balance reaches half the assigned quota, the deposit of gold, currency or bonds will be called for. If it exceeds half the assigned quota, the Board may require a reduc-

tion in the value of the member's currency, the control of outward capital transactions if not in force or the outright surrender of gold or other liquid assets in reduction of its debit. Furthermore, the Board may recommend internal measures to restore the equilibrium of the member's international balance.

"The plan aims at the substitution of an expansionist, in place of a contractionist, pressure on world trade." Each country is allowed a margin of resources and an interval of time to effect a balance in its economic relations with the rest of the world. It is "in credit or debit with the clearing union as a whole." The accumulation of a credit balance with the Union does not involve the withdrawal of this purchasing power from circulation; "the command over resources which it does not choose to employ for the time being, is not withdrawn from use." In short,

the analogy with a national banking system is complete. No depositor in a local bank suffers because the balances which he leaves idle are employed to finance the business of someone else.

A country finding itself in a creditor position against the rest of the world as a whole will not allow its credit balance to exercise a contractionist pressure against world economy, including its own. Britain, for example, would by it be able to offset favourable balances arising out of trade with Europe against unfavourable balances due to the United States.

How does the American plan compare with these proposals? It has not yet been published in detail in this country; but it is evident that its principle of action is very different. It is, in terms of pre-war practice, the method of the equalisation fund in contrast to the method of the exchange clearing, of which the Keynes plan is a generalised form. The proposal is for a Stabilisation Fund of gold currencies and securities, amounting to no less than \$5 billion, subscribed by member nations in proportion to their foreign trade, gold holdings and national income and actively employed to stabilise the international value of national currencies. Unlike the Union, the Fund will take the initiative in the exchange markets. Gold, currencies, bills and securities will be bought, sold and held. Deposits will be accepted, and obligations issued. In this scheme, too, there will be an international currency, the Unitas, fixed at the value of ten gold dollars and, unlike the Bancor, freely convertible into gold. Currencies will be sold to meet the adverse balances of particular countries. International credits and debits will not be generalised. Measures will be recommended by the governing body to secure desired changes in national balances of payments; but the onus will rest, as in the past, upon debtors rather than creditors. There is mention of the

changes in monetary or economic policy that the Fund may regard as desirable, but there is no mention of tariffs. It is in essence a plan to assist all nations, debtors or creditors, by the existence of a large financial mass of manœuvre, without any attempt to apportion responsibility for disequilibrium between those who owe and those who are owed.

In the post-war period, the United States will hold the key to world economy. Its financial and physical stake in world arrangements will be predominant. These are plain practical reasons why any plan emanating from the United States should receive the closest and most careful consideration. It is not helpful to point to the specific American characteristics of the American plan; to the much larger reliance upon gold in a scheme that imposes upon every member state the obligation to make its contribution to the world fund in part in gold; to the absence of any specific reference to the level of tariffs; or to the constitutional arrangement which, by making a four-fifths majority necessary for any of the fund's decisions, gives the United States, with a maximum 25 per cent holding, in effect a veto. It will be far more useful to examine the suitability of the plan to meet the needs that it will have to serve. The fact that it lays a ban upon the control of normal commercial exchange transactions makes it inapplicable to the transitional period after the war, when disequilibrium in the trade and payments of the nations will inevitably be at its peak. The answer that a fund of \$5 billion should be sufficient to tide over the transition is unconvincing. In itself, the sum may not be large in relation to the immediate post-war problem. Moreover, in this plan, it is not the total fund, but the proportion of it in dollars that will count in a period when the crucial deficiency of every trading country will be a dollar shortage.

There are the foundations of agreement between these two sets of proposals. The Keynes plan is undoubtedly more realistic. It concentrates upon the core of the problem of unbalance in international payments. Outside this crucial sphere, the "least possible interference with internal national policies" is proposed. The plan is as modest as it is ambitious. It is capable of application to all countries whatever their forms of government or economic policy. It is "genuinely international without preponderant power of veto or enforcement." At this stage of the debate, it is undoubtedly to be preferred. But it is wholly welcome that there should be two plans to be debated. It is now for all the nations concerned, not only Britain and the United States, to work out from these starting-points an agreed system of currency and exchange by which they can live and trade together in peace, prosperity, fraternity and progress.

Russia's Trade—I

THE discussion of world reconstruction after the war has recently moved from general principles to concrete proposals. Currency and food problems are being tackled first; but the solution to these problems must obviously be sought within the wider framework of international trade. Russia's rôle in the world exchange of goods and services may become one of the crucial factors. A tentative analysis of the prospects and likely tendencies of Russian trade may therefore be of more than academic interest. It is necessary first to survey the main features of Russia's trade in the interwar period; these are the subject of this article. A second article will discuss the most likely effects of the war on Russia's trade after the war. A third one will approach the problem from the angle of currency and credits.

The first and most striking feature of Russia's trade during the interwar period was its abnormally low level. Before 1914, Russia's foreign trade was about 4 per cent of the world's traffic. After the revolution it went down to a fraction of 1 per cent. Towards the end of the "New Economic Policy" in the late 'twenties, it rose to about

1.5 per cent. In the period of the first Five Year Plan the proportion was 2-2.5 per cent, an increase accounted for partly by the larger volume of Russian imports and exports in the years 1930, 1931 and 1932, and partly by the contraction in the total of world trade. During the second and third Five Year Plans, however, there was a decline to about 1 per cent again. The Soviet "one sixth of the world's" share in the volume of world trade was no more than one hundredth. The share of the United Kingdom was 13-14 and that of Germany 8.5-9.5. The value of French trade was five times, and that of Belgium more than three times, as large as that of the Soviets. In the tables of world trade Russia's place was below Denmark, and in the neighbourhood of Norway, Poland, Finland or Rumania.

The rôle played by Russia in this war has shown how anomalous these proportions were. During the Great Depression and afterwards, Russia was the only country in the world with a rapidly expanding economy. During the late 'thirties, its volume of production was catching up with Germany's. But its participation in international

trade developed in inverse proportion to its output. The following table shows Soviet exports as a percentage of the gross value of Soviet output:*

1929	3.2 per cent	1933	2.2 per cent
1930	3.5	1934	1.8
1931	3.0	1935	1.3
1932	2.5	1936	0.8

The trend in part reflected Russia's deliberate withdrawal from world trade. Ideology dictated a policy of self-sufficiency; the experiment of socialism in one country was being tried. The other motive, and probably the decisive one, was defence. The memory of 1914-17, when Russia was defeated because its industries were unable to arm its soldiers and the industries of the Allies failed to fill the gap in time, was still fresh. The development of every variety of heavy and light arms industry within the shortest time was the guiding principle of policy. Only imports that served this purpose were considered desirable. Exports that were not essential for the defence effort were permitted.

Yet the Russian "withdrawal" cannot be wholly explained by these motives solely. In part it was also the result of the trends in world prices. The first Five Year Plan was first based on the assumption of a comparatively intensive exchange of goods with other countries. But it coincided with the Great Depression, in which the fall in the prices of primary products was much steeper than the fall in the prices of manufactures. Russia's position both as buyer and as seller was adversely affected; less was received for its exports and more had to be paid for its imports. During the first Five Year Plan, 84 per cent of Russian exports consisted of foodstuffs, raw materials and semi-manufactures; in imports a radical shift took place from consumers' to producers' goods, which increased from 69 per cent in 1924-25 to 95 per cent in 1931; and in the category of producers' goods the shift was from semi-manufactures to manufactures (the percentage of finished goods rose from 47 in 1929 to 74 per cent of all imports in 1931-32). From these figures it is easy to see how vulnerable Soviet trade was to the price movements of the world depression. The trend of world prices for a time threatened to upset the first Five Year Plan entirely and to deny to Russia the capital goods it needed. The following table shows what happened.

RUSSIAN TRADE DURING THE TWO FIVE-YEAR PLANS

Year	Exports		Imports	
	(in 000's of tons)	(in millions of roubles)	(in 000's of tons)	(in millions of roubles)
The First 5-year Plan:				
1927/28*	8,873	3,424	2,014	4,141
1929	14,145	4,045	1,936	3,857
1930	21,486	4,539	2,855	4,637
1931	21,778	3,553	3,564	4,839
1932	17,967	2,518	2,322	3,085
The Second 5-year Plan:				
1933	17,916	2,167	1,236	1,525
1934	17,340	1,832	1,025	1,018
1935	17,190	1,609	1,259	1,057
1936	14,204	1,359	1,155	1,352
1937	12,969	1,728	1,285	1,341

* 1927-28 was the last year of the N.E.P.

The peak years of Soviet trade, in export as well as import, were 1930-1931. But the volume of exports had had to be increased by roughly two and a-half times compared with 1927-8 in order to secure a more or less stationary monetary return (in roubles). The volume of imports rose by 75 per cent over the same period, while their value increased by only 17 per cent. These facts dispel the belief that Soviet economy has been immune from the fluctuating effects of the trade cycle. The world depression admittedly did not cause unemployment or interrupt production in Russia. But it did compel Russia to double and treble its exports of grain, timber and oil in order to purchase its needs abroad, and so to reduce domestic consumption correspondingly.

* The figures and tables contained in this series of articles have been taken from or calculated on the basis of official Soviet statistics. The main source has been the publication of the Research Institute of the Monopoly of Foreign Trade: *Vneshnaya Torgovlya S.S.S.R. za 20 let* (by Professor D. D. Mishustin and S. N. Bakulin—Moscow, 1939).

From 1932 onward trade shrank. The import surplus (in money terms) could not be borne indefinitely; and it was impossible to maintain the volume of exports, let alone to increase it. This was not only because of the restrictive policies of buyer countries; but also because the surpluses actually available for export were diminishing. The expanding planned economy was absorbing increasing quantities of export commodities. Thus, exports of oil were, with the progress of agricultural mechanisation, reduced from 6 million tons in 1932 to 2.5 millions in 1936; wheat exports, which were more than 2.5 million tons in 1930, fell to 58,000 tons in 1936; timber exports were cut from 4.6 to 3 million tons. On the other hand, many of the goods previously imported were now produced in Russia. The following table compares the percentages of Russian home consumption or of articles put in use covered by various imported goods in 1930 and 1936:

	1930	1936
Tractors	81	0.0
Motor cars	66.4	0.1
Roller iron	23 (in 1931)	2.0 (in 1935)
Tin	93	13.6 (in 1934)
Aluminium	100	2.4 (in 1935)
Machines	19	1.0 (in 1935)
Cotton	19.3	2.3
Rubber	100	44.1

The question whether Russia really achieved permanent or, as the Russians would say, structural self-sufficiency in this way will be discussed in the next article. The fact is that the policy of autarky allowed them to build and equip a mighty and modern war industry. But it is also a fact that the degree of defensive self-sufficiency they attained did not make the Lend-Lease deliveries by any means superfluous when war came. And it must remain a debatable question whether the building of defence industries might not have given even better results had they been based on more intensive foreign trade. The expansion of heavy industries was undertaken at the expense of the production of consumers' goods; and the under-consumption of the Soviet people caused periodic deteriorations in productivity. No one can say how much the Russian heavy industries have lost through waste, breakdowns and poor work. It is possible to argue that, by keeping a better balance between consumers' and producers' goods, the Russians might perhaps have secured equally good, if not better, results even in terms of war economy and defensive strength. But a better balance between consumers' and producers' goods (between section II and section I—in the language of Marxian economists) would probably have necessitated higher imports in one or the other category. After 1932 Russia could almost certainly have afforded larger imports without any appreciable increase in exports. After three years of an adverse trade balance (1930-1932) the Soviets enjoyed a continually favourable balance. In some years the export surplus on the trade balance (and Russia's trade balance is almost identical with its balance of payments) amounted to between one half and eight tenths of the total sums paid for imports. At the given level of exports, the imports could thus have been increased by about 40-50 per cent without causing any disturbances in the balance of payments and without any need for the Russians to draw on their considerable gold reserve.

After 1935-36, the prices of primary products were again moving upwards. But the opportunity to increase foreign trade was not used. The reason must probably be sought in the autarkical outlook which prevailed in the Commissariat of Foreign Trade. This is said not to recall mistakes which were made in all countries and in which the Russian share was not exceptionally high, but in order to make clear two points, both equally vital for the post-war prospects. First, there is a considerable "slack" to be taken up in the trade between Russia and the outside world. Secondly, there is a close interdependence between Russia's internal standard of living and its foreign trade. For Russia, as indeed for any other country, the international division of labour is a source of prosperity and wealth. This is the one principle that is common to Marxian and liberal economics.

BUDGET FIGURES

It has been the custom of The Economist for many years to collect together, shortly before the Budget is presented to Parliament, facts and figures relating to the national finances. At present paper rationing compels severe cuts in the explanatory matter. Where possible, however, the tables which have appeared in former years are given below, although some have had to be omitted because the sources of the figures are no longer published.

Revenue

TABLE 1.—REVENUE (EXCHEQUER RECEIPTS)

	(£ millions)					
	1913-14	1929-30	1939-40	1940-41	1941-42	1942-43
Income Tax	43.9	237.4	390.1	523.9	769.7	1,006.8
Sur-tax	3.3	56.6	69.8	76.1	74.9	75.4
Estate, etc., Duties	27.4	79.8	77.7	80.8	90.9	93.3
Stamps	10.0	25.7	17.1	13.7	14.1	15.3
Nat. Defence Contribution	...	...	26.9	24.1	21.9	30.6
E.P.T.	...	...	...	72.1	247.2	346.9
Other In. Rev.	3.4	3.2	1.3	1.0	0.9	0.9
Total Inland Revenue	88.0	402.7	582.9	791.7	1,219.5	1,569.3
Customs	35.5	119.9	262.1	304.9	378.4	459.5
Excise	39.5	127.5	137.9	224.1	325.6	425.3
Total	75.0	247.4	400.0	529.0	704.0	884.8
Motor Vehicle Duties†	...	26.8	34.1	38.0	38.4	28.5
Total Tax Revenue	163.0	677.0	1,017.0	1,358.7	1,961.9	2,482.6
Canadian Govt. Contribution	...	...	...	...	...	224.7
Crown Lands	0.5	1.3	1.3	1.1	1.0	1.0
Sundry Loans	1.6	32.6	4.9	2.6	5.2	4.1
Miscellaneous	2.3	36.4	20.4	31.2	92.2	90.5
Post Office, Net Receipts, and Fund.	6.2	9.0	5.6	15.3	13.7	12.4
Wireless Licences‡	...	...	...	...	...	4.6
Non-Tax Revenue	10.6	79.3	32.2	50.2	112.1	337.3
Total Ordinary Revenue†	173.6	756.3	1,049.2	1,408.9	2,074.1	2,819.9
Self-balancing Revenue: Post Office and Broadcasting	24.6	58.9	83.1	86.4	100.6	102.5
Total Revenue	198.2	815.2	1,132.2	1,495.3	2,174.6	2,922.4

* £40,000.

† Including Road Fund revenue self-balancing until 1936-37 inclusive.

‡ Included in self-balancing until 1942-43.

TABLE 2. CUSTOMS AND EXCISE DUTIES—NET RECEIPTS.

Details of the yield of customs and excise duties in recent years are given in the following table. The biggest increases in 1940-41, compared with the previous year, are in the beer and tobacco duties, which were again increased in both the April and July Budgets of 1940. In the Budget for 1942-43, additions were made to the duties on spirits, wines, beer and tobacco, and to the entertainment tax, and the purchase tax on a large range of unessential goods was raised from one-third of their wholesale value to two-thirds.

	(£ thousands)					
	1913-14	1929-30	1938-39	1939-40	1940-41	1941-42
Spirits	23,976	42,599	35,663	40,659	45,552	46,742
Beer	13,655	77,151	65,581	78,750	139,054	164,562
Wine	1,152	4,881	4,825	5,703	7,831	3,801
Tea	6,499	43	10,851	11,729	13,432	12,895
Cocoa	341	689	1,101	1,335	1,706	2,183
Sugar, etc.	3,329	13,549	12,955	27,697	31,494	31,273
Tobacco	18,284	62,794	84,818	117,718	172,796	220,975
Matches and mechanical lighters	...	4,170	4,367	4,966	5,961	5,482
Hydrocarbon oils, etc.	841*	15,042	58,133	54,206	47,639	54,733
Entertainment duty	...	6,696	8,154	7,243	8,996	15,941
Liquor licences, etc.	4,517	4,587	4,836	4,800	4,645	4,690
Other revenue duties†	2,635	3,210	3,086	4,177	3,855	3,885
Purchase tax	...	...	...	...	26,261	98,668
Total revenue duties	75,227	235,411	294,370	358,983	509,222	665,830
Silk and artificial silk	...	6,243	5,827	4,525	2,240	1,023
"McKenna" duties	...	3,692	1,961	1,341	...	...
Other protective duties‡	...	2,637	4,665	4,673	4,521	7,759
Import Duties Act, 1932	...	...	25,281	24,148	14,462	26,328
Ottawa duties	...	...	8,123	7,155	1,816	2,763
Duties on Eire goods...	...	...	326	...	...	...
Total protective duties	...	12,572	46,183	41,842	23,039	37,873
Grand total	75,227	247,983	340,553	400,825	532,261	703,703

* Motor spirit duty, repealed 1921. † Including British wine, table waters, cider and perry, coffee and chicory, dried or preserved fruits, railway passenger duty, patent medicines, other licences, and miscellaneous. ‡ Safeguarding, abnormal importations, hops, and (1936-37) onwards beef and veal. || Included in duties under the Imports Duties Act.

TABLE 3.—DIRECT AND INDIRECT TAXES

The following table shows how the contribution of direct taxes (i.e., income tax, surtax, estate duties, National Defence Contribution, Excess Profits Tax, and other inland revenue) to total tax revenue has been rising steadily in the last few years at the expense of indirect taxes (i.e., customs and excise, stamps, and motor duties).

	Direct	% of Total	Indirect	% of Total
	£ millions		£ millions	
1913-14	78.0	47.8	85.0	52.2
1929-30	376.9	55.6	300.0	44.4
1937-38	447.1	53.2	394.1	46.8
1938-39	499.3	55.6	397.1	44.4
1939-40	565.8	55.6	451.2	44.4
1940-41	778.0	57.3	580.7	42.7
1941-42	1,205.5	61.4	756.5	38.6
1942-43	1,553.9	62.5	933.2	37.5

TABLE 4.—INCOME TAX RATE AND ALLOWANCES

	Years ended March 31			
	1939	1940	1941	1942
Standard rate in £	5s. 6d.	7s. 0d.*	8s. 6d.*	10s. 0d.
Personal allowance: Single	£100	£100	£100	£80
Married	£180	£180	£170	£140
Each child	£60	£60	£50	£50
Earned income allowance:				
Proportion	1/5th	1/5th	1/6th	1/10th
Maximum allowance	£300	£300	£250	£150
Fraction of standard rate charged on first part of taxable income...	10/33rds on £135	1/3rd on £135	10/17ths† on £165	13/20ths on £165

* In September, 1939, standard rate raised from 5s. 6d. to 7s. for 1939-40 and to 7s. 6d. for 1940-41. † In July, 1940, standard rate raised to 8s. 6d. for 1940-41. ‡ In September, 1939, the reduced rate of tax raised from one-third to one-half of standard rate for 1940-41; in July, 1940, the reduced rate raised to 5s.; in April, 1941, reduced rate raised to 6s. 6d.

TABLE 5.—MARRIED PERSONS' INCOME TAX.

In the 1942 Budget the only important change in the income tax was in respect of a married woman's earnings, the maximum allowance for which was raised from £45 to £80. This allowance is additional to the full married allowance of £140 given to every married couple. The following table, taken from the Taxation of Weekly Wage Earners (Cmd. 6348), shows the effect of this change on the income tax paid on specimen incomes by a married couple without children. It also compares the total tax they would pay if assessed as single persons with the amount they pay when assessed as a married couple.

Earnings for the Year		Total Tax Payable			
Husband	Wife	If Assessed as Two Single Persons	Assessed as Married with the Allowance at £45	Assessed as Married with the Allowance at £80	
£	£	£ s. d.	£ s. d.	£ s. d.	
125	100	10 11 3	5 13 9	Nil	
150	100	17 17 6	13 0 0	1 12 6	
175	100	25 3 9	20 6 3	8 18 9	
200	100	32 10 0	27 12 6	16 5 0	
250	100	47 2 6	42 5 0	30 17 6	
300	100	66 2 6	58 12 6	45 10 0	
400	100	111 2 6	103 12 6	86 2 6	
500	100	156 2 6	148 12 6	131 2 6	
1,000	100	381 2 6	373 12 6	356 2 6	
150	150	35 15 0	27 12 6	16 5 0	
200	150	50 7 6	42 5 0	30 17 6	
300	150	84 0 0	61 2 6	63 12 6	
500	150	174 0 0	171 2 6	153 12 6	
1,000	150	399 0 0	396 2 6	378 12 6	
250	250	94 5 0	103 12 6	86 2 6	
500	250	203 5 0	216 2 6	198 12 6	
1,000	250	428 5 0	441 2 6	423 12 6	
500	500	312 5 0	328 12 6	311 2 6	
1,000	500	537 5 0	553 12 6	536 2 6	
1,000	1,000	762 5 0	803 12 6	786 2 6	

Expenditure

TABLE 6.—EXPENDITURE (EXCHEQUER ISSUES)

(£ millions)						
	1913-14	1929-30	1939-40	1940-41	1941-42	1942-43
Interest and Management of National Debt.....	19.3	307.3	222.9	213.0	257.2	310.8
Other Consolidated Fund Services.....	12.8	22.2	16.8	17.2	16.9	16.6
Total.....	32.1	329.5	239.7	230.2	274.1	327.4
Navy, Army, Ordnance and Air Votes.....	77.2	113.0	217.9	23.2	†	†
Civil Defence.....	...	...	...	...	...	...
Civil, Roads and Revenue Departments.....	58.4	280.4	428.6	417.1	416.6	455.8
Vote of Credit.....	...	...	408.5	3,220.0	4,085.0	4,840.0
Total Supply (excluding P.O. and Broadcasting).....	135.6	393.4	1,078.3	3,637.1	4,501.6	5,295.8
Total Ord. Expenditure, Sinking Funds.....	167.7	722.9	1,318.0	3,867.3	4,775.7	5,623.2
5.2	47.7	7.1	17.0	...	...	14.2
Total.....	172.9	770.6	1,325.1	3,884.3	4,775.7	5,637.4
Add Issues out of Defence Loans.....	...	...	491.7	...	...	...
„ New Sinking Fund outside debt charge.....	...	4.8*	4.2	...	12.2	0.4
Total Expenditure.....	172.9	775.4	1,821.0	3,884.3	4,787.9	5,637.8
Self-Balancing—P.O. and Broadcasting.....	24.6	58.9	83.1	86.4	100.6	102.5

* Interest on National Savings Certificates paid in excess of provision in Permanent Debt Charge.
† Met out of Vote of Credit.

TABLE 7.—FINANCING EXPENDITURE

The following table summarises the Exchequer returns for the financial year and shows the respective shares of revenue and borrowing in meeting expenditure. It will be noted that the difference, amounting to £2,820 million, between ordinary revenue on the one hand, and total expenditure (including sinking funds and debt repayments) on the other, was met as to nearly £785 million by borrowing from the money market (i.e., by additions to the floating debt), compared with £500 million in 1940-41; nearly £318 million by small savings (3 per cent defence bonds and national savings certificates), compared with £410 million; £1,705 million by other borrowing, compared with £1,779 million; and £13 million by miscellaneous receipts, in which is included contributions received under the War Damage Act:—

£000	
Total ordinary expenditure.....	5,623,168
New Sinking Funds.....	14,371
Loans repaid.....	2,507
National Savings Bonds.....	441
Increase in balances.....	441
Total ordinary revenue.....	2,819,851
3% Def. Bonds (net).....	111,123
3% Savings Bonds 1955-65.....	46,786
3% Savings Bonds 1960-70.....	409,887
2½% Nat. War Bds. 1949-51.....	338,587
2½% Nat. War Bds. 1951-53.....	199,301
3% Funding Loan 1959-69.....	121,650
3% Nat. Def. Loan 1954-58.....	123,600
Nat. Savings Certs. (net).....	206,800
Tax Reserve Certs. (net).....	251,577
“Other debt” (net).....	216,232
Floating debt (net).....	216,232
Treasury Bills.....	218,245
Bank of Eng. Adv.	6,500
Public Dept. Adv.	87,360
Treasury Deposits.....	472,500
Miscellaneous receipts.....	13,488
Total.....	£5,640,487

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

TABLE 8.—THE COST OF SOCIAL SERVICES

The latest available figure for expenditure on public social services by central and local authorities appeared in *Hansard* of January 26, 1943, from which the following table has been compiled. The expenditure figures include payments out of taxes and rates, and also contributions by the persons benefiting in the case of the contributory schemes. Many persons shown in the last two columns as receiving benefits do so under two or more of the Acts mentioned in the first column, and are, therefore, accounted for more than once.

Service	Great Britain		Total Number of Persons directly benefiting from the Expenditure	
	1939-40	1940-41	1939-40	1940-41
Unemployment Insurance and Assistance Acts:—	£000	£000		
Unemployment Benefit (a).....	45,903	26,244	14,541,000*	Not available
Unemployment Allowances (b).....	32,218	15,389	Not available	Not available
National Health Insurance Acts.....	40,067†	38,087†	Not available	22,282,000*
Old Age Pensions Acts (c).....	97,842	122,743	4,409,088	4,763,000†
War Pensions Acts, &c. (d).....	36,961	41,421	846,590	1,039,580
Education Acts.....	121,088	122,826	Not available	Not available
Public Health Acts (e).....	27,644	27,353	Not available	Not available
Housing Acts.....	51,135	54,217	Not available	Not available
Relief of the Poor Acts.....	49,190	49,141	1,424,894	1,289,392
Other (f).....	10,298	10,305	Not available	Not available
Total.....	512,346	507,756		

* Numbers given are of insured persons. † Calendar years 1940 and 1941 respectively. ‡ Excluding supplementary pensioners, the number of which is not available. (a) Including agricultural scheme. (b) Including prevention and relief of distress. (c) Including Contributory Pensions Acts and in 1940-41 the Supplementary Pensions Act of 1940. (d) Including Personal Injuries (Emergency Provisions) Act, 1939. (e) Relating to hospitals and to treatment of diseases, and to maternity and child welfare work and midwives. (f) i.e., Physical Training and Recreation Act, Approved Schools Acts, and Lunacy and Mental Deficiency Acts.

TABLE 9.—CIVIL AND REVENUE DEPARTMENTS' NET EXPENDITURE† EXCLUDING CIVIL DEFENCE

This table gives estimates of purely civil expenditure for 1942-43 and 1943-44, compared with the amounts actually spent in the two previous years. The biggest change since the war is in unemployment assistance, which has naturally shown a big fall. The pensions items continue to increase, particularly the estimate for supplementary pensions, which are becoming a more and more important part of the pensions system. Details of the amounts actually spent in 1942-43 are not available.

(£ thousands)				
Votes	1940-41	1941-42	1942-43 Est.	1943-44 Est.
I.—Central Government and Finance	4,473	3,330	2,824	3,209
of which: Secret Service.....	1,500	...	...	...
II.—Foreign and Imperial	13,906	12,627	24,389	15,520
of which: F.O., Diplom., and Consular.....	3,175	3,720	4,085	5,536
Colonial and Middle-Eastern.....	6,866	5,621	15,869	4,831
Development and Welfare (Colonies, etc.).....	378	459	1,436	2,008
India and Burma.....	2,166	2,212	2,205	2,225
III.—Home Dept., Law and Justice	21,332	22,034	20,781	20,817
of which: Police and Prisons.....	17,288	18,055	16,313	16,268
IV.—Education, Museums, etc. (exc. B.B.C.)	63,040	65,264	69,484	72,028
of which: Board and Dept. of Education.....	60,385	62,432	66,597	69,098
Universities and Colleges.....	2,040	2,149	2,149	2,149
V.—Health, Labour and Insurance	167,391	175,128	180,239	198,876
viz., Housing Grants.....	18,802	18,002	17,675	17,794
Health Insurance and Misc.	10,648	12,157	13,528	14,021
Total, Health and Housing, etc.	29,450	30,159	31,203	31,815
Ministry of Labour.....	30,658	33,474	34,930	37,330
Unemployment Assistance.....	17,601	8,970	8,670	6,455
Special Areas, and other labour items.....	4,373	3,266	3,201	2,761
Total, Labour.....	52,632	45,710	46,801	46,536
Old Age Pensions.....	49,218	50,354	52,250	54,750
Contributory Old Age, etc., Pensions.....	20,525	21,525	22,525	22,525
Supplementary Pensions.....	15,568	27,380	37,460	43,250
Total Pensions.....	85,309	99,260	112,235	120,525
VI.—Trade and Industry	32,800	25,174	19,731	17,862
of which: Agriculture, Livestock, Fisheries.....	7,749	6,104	5,673	4,897
Roads.....	16,353	12,363	7,364	5,853
VII.—Common Service (Works, etc.)	28,909	55,975	16,343	14,547
of which: Public Buildings, Great Britain.....	11,516	30,936	†	†
VIII.—War Pensions, Superannuation, etc.	43,247	46,543	40,119	39,219
of which: Ministry of Pensions.....	39,444	42,580	36,179	35,327
IX.—Block Grants to Local Authorities	53,278	52,738	52,773	52,773
Total, Civil Departments (exc. B.B.C.)	428,385	458,863	436,683	434,651
Inland Revenue.....	9,287	11,348	12,147	13,214
Customs and Excise.....	6,130	6,264	6,372	6,244
Total Civil and Revenue	443,802	476,475	455,202	454,109
Post Office.....	90,062	102,400	102,523	110,632
Broadcasting.....	4,637	6,700	10,000	10,000

† From Appropriation Accounts, 1940-41 and 1941-42; latest estimates, 1942-43. Budget estimates, 1943-44. * Taken vote of £100. ‡ Provided out of Vote of Credit.

TABLE 10.—EDUCATION IN ENGLAND AND WALES

	Board's Net Estimates		Total Expenditure by L.E.A.'s.†		Cost per Elementary Pupil
	Total Vote	Grants to L.E.A.'s	Elementary Education	Higher Education	
1913-14.....	£ Mn. 14.7	£ Mn. 12.8	£ Mn. 25.6	£ Mn. 4.4	£ s. d. 4 15 2
1936-37.....	48.1	43.9	69.8	19.0	15 4 5
1937-38.....	49.5	44.8	71.6	20.1	15 16 4
1938-39.....	51.0	45.6	72.6	21.2	16 7 1
1939-40.....	52.2	46.6	72.1	20.8	16 17 1
1940-41.....	52.7	46.6	73.0*	20.7*	...
1941-42.....	54.9	48.5	75.4*	21.6*	...
1942-43.....	57.8	51.8	80.4*	21.6*	...
1943-44.....	60.1	53.6	82.9*	22.7*	...

* Provisional.

† Including proportion borne by the rates.

National Debt

TABLE 11.—NOMINAL VALUE OF NATIONAL DEBT AT MARCH 31ST (£ millions)

	1923	1939	1940	1941	1942
INTERNAL DEBT					
FUNDED DEBT:—					
Pre-war Funded Debt*.....	314.2	313.2	313.3	313.2	313.2
3½% Conversion Loan.....	683.6	739.4	739.3	739.3	739.3
4% Consolidated Loan.....	...	400.7	400.7	400.7	400.7
3½% War Loan.....	...	1,911.3	1,911.2	1,911.1	1,911.0
Total Funded Debt.....	997.8	3,364.6	3,364.4	3,364.3	3,364.2
TERMINABLE ANNUITIES.....	13.7	13.5	14.6	14.8	14.4
INTERNAL UNFUNDED DEBT:—					
(a) Other than Floating Debt:—					
2% Conversion Loan.....	...	206.5	206.5	245.4	245.3
2½% Conversion Loan.....	...	301.8	301.8	301.8	301.8
3% Conversion Loan.....	...	...	...	...	...
Old War Loans, Bonds, etc.....	3,274.2	200.3	200.2	200.2	200.2
2½% Funding Loan.....	...	100.6	100.6	100.6	100.6
3% Funding Loan.....	...	141.9	139.9	137.9	256.0
4% Funding Loan.....	400.4	346.0	341.7	337.3	332.9
4½% Conversion Loan.....	...	352.8	350.3	...	...
5% Conversion Loan.....	...	322.8	322.8	321.5	320.1
4% Victory Bonds.....	353.9	309.8	306.0	302.1	298.0
2½% Nat. Defence Bonds.....	...	100.2	100.2	100.2	100.2
3% Nat. Defence Bonds.....	...	81.2	81.2	156.2	201.2
3% War Loan.....	...	...	99.2	302.5	302.5
3% Defence Bonds.....	...	...	60.1	250.4	433.8
Treasury Bonds.....	411.0	100.0	100.0	...	...
Savings Certificates.....	353.8	1,384.9	1,433.9	1,606.7	1,832.3
2½% Nat. War Bonds, 1945-47.....	...	...	...	443.9	444.4
2½% Nat. War Bonds, 1946-48.....	...	...	...	148.3	493.3
2½% Nat. War Bonds, 1949-51.....	...	...	...	...	378.8
3% Savings Bonds, 1955-65.....	...	...	...	88.6	666.4
Tax Reserve Certs.....	...	...	...	...	191.5
Total of (a) (plus other debt)†.....	4,795.3	2,948.8	3,146.0	4,285.2	6,352.6
(b) Floating Debt:—					
Treasury Bills.....	616.0	892.4	1,427.7	2,211.7	2,620.6
Treasury deposits.....	...	...	...	429.5	496.5
Ways and Means Advances: By Public Depts.....	193.9	27.9	61.5	172.3	195.1
By Bank of England.....	...	...	...	...	...
Total Floating Debt.....	809.9	920.3	1,489.2	2,813.5	3,312.2
Total Internal Unfunded Debt.....	5,605.2	3,869.1	4,635.2	7,098.7	9,664.8
TOTAL INTERNAL DEBT.....	6,616.7	7,247.3	8,014.4	10,477.8	13,043.4
EXTERNAL DEBT.....	1,155.7	1,032.4	1,032.4	1,034.78	1,142.3
TOTAL DEAD-WEIGHT DEBT.....	7,772.4	8,279.7	9,046.8	11,512.5	14,185.7
Funding Loan and Vic. Bds. held by Nat. Debt Commissioners.....	30.2	116.5	115.2	113.7	112.2
NET TOTAL DEAD-WEIGHT DEBT.....	7,742.2	8,163.2	8,931.6	11,398.8	14,073.5

* 2½% Consols, 2½% and 2½% Annuities, and Debts to Banks.

† Includes National Savings Bonds (now about £3.3 millions).

‡ Other debt now includes interest-free loans.

§ Includes loans made by colonial governments to the United Kingdom.

TABLE 12.—NET INDEBTEDNESS OF THE STATE (£ millions)

	March 31, 1939	March 31, 1940	March 31, 1941	March 31, 1942
Net total deadweight (as opp.).....	8,163.2	8,931.6	11,398.8	14,073.5
Deduct external debt.....	1,032.4	1,032.4	1,034.7	1,142.3
Total.....	7,130.8	7,899.2	10,364.1	12,931.2
Add accrued interest on saving certificates.....	137.4	143.2	154.3	171.6
Total.....	7,268.2	8,042.4	10,518.4	13,102.8
Deduct estimated assets.....	658.5	669.6	677.5	670.3
Total.....	6,609.7	7,372.8	9,840.9	12,432.5
Deduct Exchequer balances.....	2.5	2.4	2.6	2.4
Net total.....	6,607.2	7,370.4	9,838.3	12,430.1

Table 12 gives the net total of the internal debt after allowing for the accrued interest on national savings certificates, which is not included in the figure of principal given in the previous table, and after deducting Exchequer balances at the Banks of England and Ireland at the end of the financial year, and the state's estimated assets. The largest single item of the latter total is the £575 millions of the Exchange Equalisation Account; it also includes the Suez Canal shares (£32 millions); India and Burma—outstanding liability for 5 per cent War Loan (£16.7 millions); Land Settlement loans outstanding (£12.7 millions); issues to Czechoslovakia (£6.2 millions); and issues under the Overseas Trade Guarantees Act, 1939 (£7.7 millions).

TABLE 13.—COST OF THE NATIONAL DEBT, 1918-41. (£ millions)

Financial Year	Net nominal total of Deadweight Debt outstanding at end of Financial Year	Interest, Management, etc.	Col. (2
----------------	---	----------------------------	---------

NOTES OF THE WEEK

Tactical Second Thoughts

The "tull" between the battle of the Wadi Zigzaou and the break through on the Wadi Akarit lasted only a few days. General Montgomery used the time to mass his artillery and to prepare the difficult night attack which was to effect the break-through. On the Wadi Akarit the enemy enjoyed the most favourable conditions for defence. The front he held was little more than a small strip of land—12 miles in all. The attacker was deprived of any room for deployment. An analogy is provided by the experience of the Red Army during the Finnish war in 1939-40, when the initial failure of the Russians was partly due to the lack of room to deploy their forces. General Montgomery had to "tear a hole" in the centre of the enemy's line. This situation has caused the more "tank-minded" military experts to express anxiety about an alleged relapse into the obsolete tactics of the last war. The massing of guns instead of tanks does recall the technique of 1917 rather than that of 1939-40. But the difference between the use of artillery drum-fire now and in the last war is that it did effect a break through both at El Alamein and the Wadi Akarit, whereas then no such results were obtained in the west. Either weapon, tank or gun, has its particular *raison d'être*. But the anxiety of the tank expert may be justified in so far as the experience of the African campaign may have pointed to the need of some further technical improvements in the Allied tank. The obstacles of the wadis could not be mastered by General Montgomery's armoured vehicles. To what an extent are the Allied tank forces suited to fight in all the different conditions, for instance in mountain warfare, which are likely to be presented in future battles? This is not said in order to detract one iota from the brilliance of General Montgomery's victory. The daring and highly original method of night attack which he has developed can, in respect of tactical ingenuity, be compared only with the similar exploits of the Russian Command. And General Montgomery can answer the critics with the argument of victory. The Desert Army has at last linked up with the American forces; the enemy is in headlong retreat along the coast; and the Allied Forces in the north have begun a widespread attack.

Government Control

The use of emergency powers to secure efficiency and co-operation in the prosecution of the war is generally approved. Undoubtedly, as a note on page 468 shows, there is uneasiness among some investors and industrialists about the possible post-war implications of this wartime intervention when it takes the form of taking over ownership or appointing Government directors. Even the statement of Mr Churchill that no measures of nationalisation would be undertaken without the agreement of Parliament and the people did not set their minds at rest—though it is obviously as hard for the Prime Minister to say that there

will be no nationalisation as it would be for him to say the opposite. Most citizens, however, are content to accept as necessary the measures of control that are being increasingly imposed upon particular firms, provided they are fully explained and have been demonstrably introduced "in good faith." They wish more power to the elbow of every Minister whose aim is to multiply war output; and they are ready to recognise that drastic administrative action, without judicial review or proper Parliamentary consultation, though undoubtedly an evil—and one which must cease when the war ends—is probably necessary in the circumstances. But they are not disposed to give a blanket approval to all that Ministers do. They look for proof, and tend to regard each case on its merits.

An Unfortunate Precedent

One case of control in particular has aroused serious misgivings. A colliery in North Wales has been brought under Government control, though it is admittedly an efficient concern and one that has had no strike or lock-out for over sixteen years. On the face of it, it seemed that the intervention was quite unjustified. The later statement of the Minister of Fuel and Power, that because the members of the North Wales Miners' Association at this pit, representing some 50 per cent of the pit workers, were not treated on the same footing as the members of a local industrial union, strike action was threatened elsewhere in the coalfield, was an intelligible explanation, but hardly a satisfactory excuse. It is surely an entirely new principle that an efficient and reputedly peaceful firm should be subjected to control because of intimidation elsewhere. It is true that the resignation of the owners of this colliery from the North Wales Coalowners' Association, in order to avoid recognising the NWMA, suggests exceptional intransigence, and that both Major Lloyd George and the expert labour adviser he called in found much evidence of "both discourtesy and provocation" by them towards the members of the district union. Peace as well as production must undoubtedly be preserved. But sheer politics must not enter in. It is not a war aim to establish the "closed shop." And, however necessary, this precedent seems most unfortunate.

Intervention in Management

The prayer, supported by 128 Members of the House of Commons, to annul the Government's new Regulation empowering Supply Ministers to appoint nominees to boards of directors in war industries was withdrawn on Wednesday. The new order is an attempt to make Regulation 54CA more palatable to its critics, who feared the undue intervention of official representatives, without responsibility, into management. Until Wednesday's

debate, when Mr Lyttelton gave assurances and stated safeguards, the critics were not appeased. The Minister of Production defended the right of official representation on the board of companies in which the Government has "substantial investments." The £280 millions which the Government has spent, or proposes to expend, in capital grants or in the provision of capital assets to the engineering and allied industries is more than a quarter of their £1,000 millions capital; and is only a small part of the vast sums spent on agency factories, shadow factories and so on. Moreover, the Government, on behalf of the community, is, directly or indirectly, the sole customer of most engineering firms. The alternative powers to appoint directors, to introduce controllers or to purchase shares are regarded by the Government as essential for the discharge of its duty to secure the fullest and most efficient war output. It is their needless use, without guarantees for the future, that has disturbed the Conservative critics; and Mr Lyttelton, by promising to refer in every case to his Ministry's advisory committee on industrial efficiency and to consult the Treasury on the definition of "substantial investments" before appointing directors, stemmed their opposition. He made it plain that, in many cases, by appointing directors Ministers would be able to avoid introducing controllers. The drive for efficiency will go forward; and in so far as these protests have been a campaign against the firm policy of Sir Stafford Cripps in the aircraft industry they have been very properly and decisively rebuffed.

A Policy for Farming

The report of the sub-committee of the Conservative Party on Agricultural Reconstruction is the fullest and most forthright of recent plans for farming. It recommends two means of maintaining a fair and stable level of agricultural prices: by international agreements; and, at home, by import boards, levies on imported foodstuffs, direct subsidies and, in special cases, high tariffs. The point is strongly made that, before the war, the retail price of foodstuffs in Britain was twice the remuneration received by the primary producer at home and abroad; "a case exists for searching examination into existing distribution methods." The bulk of the report is concerned with ways and means of assisting the farmer to farm. A new form of County Committee is recommended, combining the features of both the County Council Committees and the War Agricultural Committees, with explicit authority to enforce good farming; and a land management department at the Ministry of Agriculture is recommended. The most sweeping claims are that estate duties on agricultural land should be wholly remitted, and that British agriculture, on every test of size and productivity, will stand comparison with agriculture in any other part of the world, not only in the production of milk, fruit and green vegetables for nutritional reasons, but also in corn growing and meat production. If this latter claim were true as it stands, it is hard to see why the drastic tax concessions and protective measures proposed by the sub-committee should be necessary. It surely amounts to a declaration that, given the stability of prices over a period that all primary producers require, and constantly stimulated by every means to the highest standard of technical efficiency, British agriculture can stand on its own feet without any special charge upon the nation. Actually, the measures proposed by the sub-committee do not bear out this encouraging inference. They recommend that "the post-war British quota should be fixed at something well in excess of 50 per cent of our total requirements"; that is to say, at about half as much again as before the war; and they admit that "a price must be paid." Agriculture is "a way of life," as well as "a bundle of industries"; "to those who measure the greatness of states not by statistics, but in terms of stability, well-being and quietness of mind, it may well appear as a necessary corrective to excessive industrialism"; and "the British agricultural producer has first claim upon his own home market." The fact that agriculture exists, in the first place, not to provide employment or profits, but to produce food—that, in short, food must come before farmers, in any rightly contrived programme for the national well-being—is not straightly faced. Nor is any real attempt made to compute the cost involved—which is the decisive point. When it is proposed that farmers should be given the right to sell at a guaranteed price a certain weight of cereals per annum, there is no calculation of the total quantities involved or of the total cost that would arise from the difference between the world price

and the guaranteed price. Nevertheless, the document is an encouraging one. Its claims are more muted than in the past. It pays more heed than formerly to the need which rests upon agriculture as upon every other industry to justify its use of resources by its productive efficiency in comparison with other industries. The size and kind of British farming after the war, in any right policy, must depend upon two factors: the size and nature of agriculture that will be able to stand on its own feet *plus* the supplement that the nation may be prepared to pay to maintain a somewhat larger agriculture than this for social and political reasons. There must obviously be a limit to the size of this supplement, if this country is not to waste its substance and to sacrifice the sole world economic advantage that remains to it—namely, the efficient manufacture of specialised industrial products on the basis of relatively cheap imports of food and raw materials. It seems reasonably certain that the maintenance of a farming industry with the protected right to provide something like 60 per cent of total food consumption would exceed this limit by an appreciable margin.

Grievance Redressed

Common sense, with the indefatigable aid of Mrs Tate, has triumphed. The Government has yielded on the question of compensation for personal injuries, and announced that in future this non-contributory scheme will apply on equal terms to all civilians, female or male. Mrs Tate's campaign to secure that men and women suffering similar injuries should be similarly compensated was powerfully reinforced by the recent report of a Commons' Select Committee. The Personal Injuries (Civilians) Scheme applies only to war injuries. The decision to equalise compensation will be extended to all war service injuries sustained by Civil Defence personnel, and to the basic disability pensions payable in the Women's Auxiliary Services and the Merchant Navy. Moreover, all non-occupied persons, of both sexes, will have their present rates of injury allowance and disablement pensions raised to those paid to gainfully-occupied men. Briefly, the effect of the scheme is a levelling-up of all injury allowances to 35s. a week, with an extra 8s. 9d. a week for gainfully occupied men if married. The increase for gainfully occupied women is 7s.; for non-gainfully occupied men 14s.; and for non-gainfully occupied women, mainly housewives, 18s. 8d. The largeness of these increases measures the inequity that is now, belatedly, to be removed.

Fire Damage caused by 1,000 fires a day hampers War Effort.

Half the fires in the country are caused by matches and cigarette ends.

MOST FIRES ARE CAUSED BY "CAREFUL" PEOPLE.

DON'T JUST BE CAREFUL—TAKE EXTRA CARE

Issued as part of the Fire Offices' Committee Campaign against fire wastage.

LEGAL & GENERAL WHOLE LIFE AND ENDOWMENT POLICIES

both participating and non-participating
**INCLUDE WAR RISKS
WITHIN THE
UNITED KINGDOM**
so long as the life assured remains
a civilian.

Part-time duty in the Civil Defence Services
and the Home Guard as at present constituted
is included in the cover.

The Society is prepared also to consider War
Risks both at home and abroad in respect
of non-civilian lives, each proposal being
considered on its merits.

Life Assurance is more necessary to-day than
ever before—ask for full particulars now

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Chief Administration:
ALDWYCH HOUSE, ALDWYCH, LONDON,
W.C.2

Branches in all principal Towns
Established 1836 Assets exceed £57,000,000
General Manager: Vernon E. Boys

The Last Ditch

To the surprise of most Members and the consternation of some, Sir Douglas Hacking, the leader of the critics, opened the proceedings on the third day of the Committee stage of the Catering Bill by something like a surrender. He told the House that he and his friends, despairing of getting the Minister to see reason, had decided that it was so much waste of breath to move any more amendments. It was left to Sir Herbert Williams, Captain Peter Macdonald, Sir Leonard Lyle and a few other isolated pockets of resistance to carry on the struggle. But the remaining clauses of the Bill were carried through with comparatively little difficulty. In the only division of the two days, an amendment designed to limit the power of the Commission to the consideration of wages and working conditions, excluding matters relating to the efficiency and development of the industry, was defeated by 143 votes to 42. The principal alterations to the original draft were proposed by Mr Bevin himself. He moved an amendment excluding workers employed on ships from the scope of the Bill and a new clause empowering the Minister to establish a register of employers. Finally, he announced that he was prepared, in order to preserve the balance between the different sections, to appoint to the Commission technical assessors, who would be drawn from the different branches of the trade. This amendment was welcomed by the critics. Sir Douglas Hacking, who had held his peace for two whole days, warmly congratulated the Minister. The House adjourned in a very different atmosphere from that in which it had debated the second reading of the Bill. So, it is to be hoped, ends a chapter of Parliamentary history which bade fair at one stage to do very little to enhance the reputation of the present House of Commons.

Appointment Postponed

General de Gaulle's journey to French North Africa has been postponed at the explicit request of General Eisenhower. The motives behind this request seem fairly clear. Opposition to a close collaboration with Fighting France is still very pronounced in the ranks of the North African administration and among the officers of the French colonial army, and it is likely to remain so for some time to come. General Giraud's policy of conciliation has not yet fully succeeded in mollifying the diehard Vichy legitimists on the spot. While the battle of Tunisia is still in full swing General Eisenhower is understandably reluctant to allow the political controversy to weaken the all important war effort. "The British Government fully understand and sympathise with the reasons for General Eisenhower's request"; Mr Churchill emphasised this support for the Commander-in-Chief in a statement on Wednesday, in reply to a maladroit protest from General de Gaulle's National Committee. This view must no doubt be accepted. But it may perhaps be said that while the reasons for it cannot themselves be questioned, the straightforward form of General Eisenhower's intervention may be. The French are bound to ask how this intervention can be squared with the often repeated principle that internal political disputes ought to be settled by the French themselves. German propaganda inside Metropolitan France will surely not be slow to exploit French apprehensions. If political intervention in North Africa has become a military necessity, as it very well may be, then this political action must be taken with an unswerving eye to its repercussions in France itself.

Incommunicando

Both the Commons and the Lords have renewed the emergency powers of the Governors in the six out of eleven Indian provinces in which the Congress withdrawal suspended provincial self-rule. Both Houses took the opportunity to review the Indian situation. Their proceedings provide a remarkably accurate picture of the state of British opinion. There was no question of the desirability of renewing the emergency proclamations. Congress hardly found a spokesman, and Mr Amery and Mr Ammon were in substantial agreement. On the other hand, no speaker was able to provide a solution. There was fairly general condemnation of the tone of the White Paper on Congress responsibility for the recent disturbances, but little doubt that Congress was in fact responsible. In the Lords, the Viceroy's decision to forbid a meeting between Mr Gandhi and Mr Rajagopalachari was widely criticised. Many speakers in both

Houses, including Mr Amery, suggested that British democracy, designed for a homogeneous western state, might not be the proper solution for India, with its recalcitrant minority problems, and suggested scrutiny of other forms of representative and responsible government. Some speakers pointed to the Swiss federal solution—attractive, but, in all probability, out of its depth in the Indian Ocean. The main question for the present is whether Mr Gandhi should be held *incommunicando*. There can be no question of release or of the removal of emergency procedure until the civil disobedience campaign has been called off. On this question there must be faith in the Viceroy's judgment. There can be no appeasement of an opposition which, as Lord Samuel regretfully pointed out, has become totalitarian in philosophy, and violent in its methods. But how can the Indian politicians agree, the *sine qua non*, when they cannot meet?

Coal Conciliation

The acceptance by both sides of the coal-mining industry of Lord Greene's scheme for conciliation and arbitration has been rightly described as one of the most important events in the history of the industry—or, indeed, of industry as a whole. Comprehensive and permanent machinery for dealing with wages and conditions of employment is being applied in an industry where industrial unrest has been proverbial and is still rife—nearly half the total number of stoppages last year occurred in mining. The Greene scheme establishes a National Wages Board, comprising two parts, a Negotiating Committee consisting of eleven representatives of each side, with joint chairmen, and a National Tribunal of independent persons, appointed by the Master of the Rolls, in consultation with both sides. It sets up similar conciliation machinery in the districts—district conciliation boards and district referees—and provides for the transference to the National Board of problems which cannot be settled in the districts—though the North-umbrian miners have objected to the clause that district issues can only be referred to the Board on the joint resolution of both sides, on the ground that it invalidates the whole purpose of conciliation machinery and limits the tribunal's effective scope; no other arbitration scheme stipulates that there shall be agreement to disagree before a dispute is taken to arbitration. The parties commit themselves in advance to accept the settlements of the Negotiating Committee and the awards of the Tribunal as binding, and pledge themselves to endeavour to prevent the withdrawal of labour or the withholding of work. The Minister of Fuel has no voice on the Board, but he has the right to refer issues to it and to attend at the Tribunal—a provision without precedent. The Greene scheme represents an attempt at regulation within the industry, by the industry. It is the logical outcome of wartime developments—the increasing measure of uniformity and lessening of sectionalism and the establishment of a national minimum wage—and it may have far-reaching consequences. It should encourage the formation of a national miners' union and, though the Board is to deal only with wages and working conditions, it may pave the way for joint responsibility in wider fields of the industry. A joint statement issued by the Miners' Federation and the Mining Association, in welcoming the scheme, said:

It is the expressed intention of the two sides to collaborate in working out all the post-war problems of the industry.

Such a development obviously needs careful watching, and adequate provision must be made for safeguarding the interests of the consumer. The Greene scheme will depend for its success upon the spirit with which both sides approach it. If, as in the recent past, it is accompanied by the power to determine output and maintain prices in the producers' interests alone, and unaccompanied by a stringent obligation to raise the industry's efficiency by any means, the price paid by the nation for peace in the coal industry may well be too high.

New Weapons and Ideas

At the annual meeting of the Institution of Chemical Engineers last Friday, Mr Oliver Lyttelton gave an encouraging account of the growth of production. During the last quarter of 1942 the output of warlike stores for the Ministry of Supply was double that of the average for 1941; the structure weight of the production of aircraft was 75 per

cent higher. The trend of production is still upwards. Last February the output of all kinds of munitions was 40 per cent up on the year and that of heavy bombers up four times. But the end is not yet. Mr Lyttelton's claim that the A.22 or Churchill tank is one of the best machines possessed by either side can hardly mean that either he or the military tacticians are yet satisfied with tank production. As Sir Stafford Cripps's energetic intervention in the aircraft industry suggests, the Government is busy removing pockets of incompetence and inefficiency in industrial managements. Contrary to general belief, as Mr Lyttelton pointed out, the need for technical adaptation and adjustment is greater in munitions than in peacetime products. The demand for weapons is dominated by changes and improvements in strategy and tactics. The Minister said that a third of present production consists of weapons which did not exist at the outbreak of war except in the imagination of their inventors. He expressed the hope that reconstruction problems may be tackled as energetically as war production in order to ensure the rapid increase in output that will be necessary to provide the desired standards of life. Before the war technical progress raised productivity at the rate of about 1½ per cent per annum. "Let us see," added Mr Lyttelton, "if we cannot double that, or treble that, over the next twenty years."

Storm over Transit

In the summer of 1940, with the close of the Norwegian campaign, the Swedish Government gave Germany permission to send leave trains via Sweden to Norway. Ever since, this concession has been the subject of vigorous, and often somewhat embittered, controversy in the Swedish press. The claim that it is consistent with strict neutrality rests on two assumptions: that the fighting in Norway has definitely ceased and that the German side of the bargain is not abused. In fact, it has long been plain that Norwegian resistance has by no means come to an end, and it is increasingly certain that there is misuse of transit facilities by the enemy. The British Government has at no stage gone to the length of declaring the grant of transit facilities to be an "unfriendly act." It is recognised that, in a sense, in the summer of 1940 Sweden was yielding to *force majeure*. But there is a growing conviction in this country, and, it appears, in Sweden itself, that the time has now come to end an arrangement which has always been unsatisfactory and anomalous. The underlying controversy was brought to a head by the recent courier plane incident. The revelation that the German plane which force-landed in the course of a flight between Finland and Norway contained many military personnel and dismantled machine-guns has shocked public opinion. There was a storm in the Swedish Parliament. Incredible as it may seem, a Swedish officer apparently acceded to a German command that Swedish soldiers should be searched when the loss was discovered of a German revolver. There seems to be little doubt that Germany has in fact been using the courier route between Norway and Finland, to which the transit traffic agreement does not apply, for military transports. Swedish observers point out that the breach of neutrality, which is not denied, is a German breach. But has reasonable care been exercised? And does the performance of the Swedish military authorities who dealt with the aircraft give the impression of unceasing vigilance? After all, even invasion is still not out of the question. If these questions are being asked in Britain they are being asked even more searchingly in Sweden.

More Babies

The Registrar-General's latest return shows the highest total of births for any quarter ended in December since 1926 and a higher total for 1942 as a whole than for any year since 1928: 655,075 live births were registered, and the birth rate was 15.8 per 1,000, or 1.6 higher than in 1941. It is interesting to note that this is higher than the German rate (15.29 for 1942). The excess of live births over deaths was 175,168 compared with 52,048 in 1941, and the death rate of 11.6 per 1,000 is the lowest of the four war years. There was a further decline in the stillbirth rate, which was the lowest ever recorded.

These figures have been hailed in some quarters with undue optimism. As a correspondent in *The Times* has pointed out, the 1942 rate is still well below the lowest point reached during the last war, and the number of births registered during 1940-2 was 1,849,000 against 2,268,000 in 1915-17, to a smaller population of mothers. The recent rise in the number of births, though welcome in itself, has no direct or necessary bearing on long-term trends, since it is the net reproduction rate (the extent to which women of childbearing age are replacing themselves) that counts. In the years before the war, the net reproduction rate for England and Wales was 0.8; in 1940-2 it was slightly below 0.8. Mr. R. F. Harrod and others have stressed that an increase to unity in this rate within the next fifteen years is necessary if a great decline in population is to be averted. The problem of raising the net reproduction rate by 20 per cent from its present level remains as urgent as ever. National concern in this matter is reflected in an all-party motion calling upon the Government to "face up to the present downward trend in population" (sic). This problem is linked inseparably with the country's future social and economic policy. The mere granting of family allowances, especially if the Government only concedes the meagre amount of 5s. per child, may be of little avail in inducing couples to have larger families. Earlier marriages may help, though not necessarily, and economic barriers, especially in the professions, should be removed, while housing, health services, education, maternity and child welfare have an important part to play. But the key to the problem, in the material sphere at least, lies far more in the unrestricted development of productive forces and the attainment of economic security through the elimination of unemployment.

The Baltic Moral

The Germans have decided to summon immediately "national assemblies" in Estonia, Latvia and Lithuania. The move is part of Dr. Goebbels' anti-Bolshevik campaign, and there are some signs that it has not been altogether unsuccessful. According to *The Times*, the Baltic quislings

have found their task easy, and a large part—apparently even a majority—of the members of the committees is composed of real patriots who have many times courageously demonstrated their deep-rooted love of their native country and their faith in their country's right to a national destiny, independent not merely of Russia but, just as emphatically, of Germany.

For the first time since 1941, the Nazis have managed to rally the elements of the Baltic peoples that have hitherto been immune from their temptations. The moral ought not to be glossed over in Moscow. The raising of Russia's frontier claims at this particular juncture of the war has been worse than a grave psychological mistake; it has been a disservice to Russian interests in the war. The account of Polish-Soviet relations published on page 463 leads to the same conclusion. It would not be surprising if the convocation of "national assemblies" in the Baltic countries were followed by some similar Nazi attempt at "reconciliation" in Poland. There is little chance that Dr. Goebbels could score any success there like the success he seems to have scored in the Baltic states. The Poles have suffered too much to forget or forgive. But if as the result of Polish-Soviet friction, anti-Soviet feelings are exasperated in Poland, the Nazis are bound to be the beneficiaries.

BANK OF MONTREAL

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

CAPITAL	\$36,000,000
RESERVE AND UNDIVIDED PROFITS...	\$40,226,426
TOTAL ASSETS IN EXCESS OF ...	\$1,000,000,000

Head Office: MONTREAL
Huntly R. Drummond, Esq., Chairman of the Board
G. W. Spinney, Esq., President
Major-General The Hon. S. C. Mowbray, C.M.G., W. A. Bog, Esq., Vice-Presidents
B. C. Gardner, Esq., M.C., General Manager

LONDON (F. R. S. Balfour, Esq., Sir Hardman Lever, Bart., K.C.B. COMMITTEE (Sir Frederick Williams-Taylor)

London Offices: 47 Threadneedle Street, E.C.2. Edward Pope, Manager
9 Waterloo Place, Pall Mall, S.W.1. D. MacGregor, Manager

The Bank undertakes general banking business and with its numerous branches offers special facilities in Canada, Newfoundland and the United States.

AMERICAN SURVEY

The Acid Test

Before the present Congress assembled, it was argued that the two great tests of its intentions would be its action on Lend-Lease and, even more, its decision whether or not to extend the Reciprocal Trade Agreements. Lend-Lease has been triumphantly upheld. Hearings on the Reciprocal Trade Agreements Act—which is due to expire on June 12th unless it is extended—begin next week. Because a direct link to the war effort is lacking, the anti-Administration and high tariff groups in Congress will be able to let themselves go. It may prove a hard struggle. The thirty agreements which have been negotiated since the Act was passed in 1934 testify to Mr Hull's success in reversing the tide of ever higher American tariffs which characterised the years after the last war. The Secretary of State in February, in testimony only now made public, argued that the extension of the Act was essential for post-war reconstruction, to maintain full employment in the United States, and to open up new markets for American goods. Mr Welles, the Assistant Secretary of State, in an address last week to the New York Chamber of Commerce, re-emphasised the importance of this issue, which he felt was insufficiently appreciated by the public. He argued that no international organisation can succeed if the "economic underpinning" is unsound, and that an expansion of international trade is essential if the devastated countries are to be put on their feet as quickly as possible, in their own interests and those of the American taxpayer. He insisted that the action of Congress would provide the

first concrete test of whether the United States intended to co-operate with the rest of the world in a matter that is essential not only to the full solution of our domestic problems but to the construction of a durable peace.

Mr Welles went to some pains to defend the administration of the Act from charges that its approach was theoretical or doctrinaire. The experts employed, he said, do not spend their time discussing Adam Smith, but in detailed and selective examination of proposals for tariff reductions, industry by industry and product by product, varying concessions from the full 50 per cent allowed by the law to 5, 10 or 15 per cent, or, perhaps, no change at all. Mr Welles did not stand on the defensive, however. Towards the end of his address he pointed out that the Act is based on the theory of free enterprise in foreign trade and on the belief that the profit motive can create a foreign commerce from which the whole nation will benefit. But the ends served by the Act, both domestic and international, are of such overriding importance, he said, that if private interests succeed in preventing its extension, other means—perhaps even Government trading—will have to be undertaken to attain them.

Stemming the Tide ?

Two more hopeful notes were struck last week in the struggle to prevent inflation. One was the decision of the American Federation of Labour and the Congress of Industrial Organisations to throw their energies into an attempt to keep prices down rather than force wages up, thus dissociating themselves from Mr J. L. Lewis's drive for more pay. The other was the President's strongly worded veto of the Bankhead Farm Bill and the decision of its backers not to press for a vote overriding the veto at the moment. The Bill, which was passed by the Senate with only two dissenting votes, and by a House vote of 149 to 40, forbade the inclusion of any Government payment to farmers in the calculation of parity prices. Estimates of the price increases that would result from the Bill's passage vary. As the President pointed out, its effect was to deprive the Government of the power to avoid very substantial increases in the cost of food. The price of corn used as animal feeding-stuff might rise almost 10 per cent, with a consequent demand for higher prices for poultry, eggs, milk, and other dairy products. The President pointed out that if this happened, it would be impossible not to give way on the stabilisation of wages. The resulting spiral would have

devastating effects on the position of the farmers. Farm income at present, in terms of purchasing power, is at an all-time high. Inflation, said the President, would destroy farm income. Nor would higher prices produce the farm machinery and the manpower, the lack of which is the farmer's very real grievance. Senator Bankhead's failure to press for the two-thirds vote which could override the President is not necessarily a tribute to Mr Roosevelt's logic or eloquence. It is possible that such drastic action was never seriously contemplated. As things stand, Congress can take credit with the farm bloc without blackening its name too much with the rest of the country, or assuming responsibility for the race between wages and prices. The Bill remains in the background, too, as a potential threat. The welcome decision of Mr Murray and Mr Green to concentrate on lower prices and desist at least for the time being, from pressing for higher wages, has isolated, but has not deflected Mr Lewis from his demand for higher wages for his miners. There are ugly rumours in Washington of an alliance between Mr Lewis and the farm bloc frankly designed to speed the inflationary spiral. How long the leaders of the other great labour groups will be able to hold out depends upon the Administration's success in reversing the trend to higher food prices.

Government and Business

Among businessmen there is a growing and specific interest in one aspect of post-war economics—the relations that will prevail between business and Government. Some of this discussion has been provoked by the National Resources Planning Board's Report, with which, it seems fair to say, most businessmen are in deep disagreement. A majority of those, in answer to a recent poll of the Research Institute of America, plumped for the complete discontinuance of all Government controls, and were decidedly optimistic about the time it would take to get back to peacetime production. The magnitude of this task, however, has been indicated in two recent speeches. Mr William Batt, of the War Production Board, has estimated that Government investment—or scheduled investment—in wartime facilities amounts to \$14,000 millions; private investment he put at \$4,000 millions, making a total of \$18,000 millions. Mr Batt warned his audience that they must not rule out Government participation in the process of reconversion, or accept responsibility for the maintenance of employment in the post-war period. His own suggestion for plants that are not to be kept in the production of war materials, or in reserve, and are not suitable for conversion to consumers' goods, is that contracts should be renegotiated at the end of the war to provide a cushion against undue hardship—at the same time making profits unattractive enough to speed up the return to producing civilian goods. He insisted, however, that many of the controls developed in wartime will have to be retained. He urged that new forms of assistance and co-operative action between Government and business will have to be developed to meet the needs of peacetime production. Mr Batt was interested primarily in plant and materials. The other speech, by Mr Watkins, of the National Resources Production Board, dealt largely with the human problems of the transition. Estimating that, at the end of the war, about 35 million Americans will be engaged in war work or in the Forces, Mr Watkins stated his belief that, in the first two years of peace, about 15-20 million of these will be cut off from their wartime sources of income; and that it will take from six to twelve months at the best to return industrial facilities to peacetime use. The restoration of full peacetime employment would, he thought, take much longer, possibly two or three years, even allowing for a normal unemployment of about 2 million. In his own "pattern for to-morrow" Mr Watkins stressed the need for broader social security; the guaranteeing of markets for agricultural products and raw materials; a world economic organisation to direct the use of surpluses; and the recognition that where private enterprise is unable to maintain employment, the Government must fill the gap.

THE WORLD OVERSEAS

Polish-Soviet Relations

(By a Correspondent)

POLISH-SOVIET relations lately entered a rather critical phase. The Soviet and the Polish press engaged in sharp polemics about the frontier problem. With the publication of government statements on both sides, the polemics received official backing.

Formally, Polish-Soviet relations are, for the duration of the war, based on the agreement of July 24, 1941. Under that agreement, the two Governments resumed the diplomatic relations which had been broken off on September 17, 1939, when the Soviet armies under Timoshenko crossed the Polish frontiers and occupied eastern Poland. By the agreement of 1941, the Soviets declared the Soviet-German pacts of 1939, concerning territorial changes in Poland to be null and void. The agreement provided for mutual assistance during the war, and for the creation of a Polish army in Russia. In a special protocol, the Soviet Government agreed to free Polish nationals in Russia (prisoners of war and others) who had been deprived of their freedom.

From the very beginning, the political atmosphere in which this agreement had to be implemented was uneasy. The events of 1939 were still fresh in Polish as well as in Russian memories. The psychological barriers to understanding and co-operation were strong on both sides. Yet, in the initial phase energetic attempts were made by Premier Stalin and General Sikorski to overcome those obstacles. And in December, 1941, during his visit to Russia, General Sikorski saw some encouraging results. The first units of the Polish army in Russia were raised; quite a number of Poles were already at liberty, although the release of Polish nationals from prisons and camps was proceeding rather slowly in the face of many obstacles. The Russian authorities permitted the Polish Relief Fund (directed from London) to give material help to Polish deportees living in Russia, mainly in Siberia, in utter destitution. Towards the end of 1941, it could be hoped that time would cure mutual bitterness, and bring a notable improvement in relations.

This hope did not quite materialise. In 1942, political observers could see some new points of friction arising. One of them was the problem of the Polish-Czech Federation. Soviet sources criticised the scheme as an attempt to set up the old *cordon sanitaire* along Russia's western frontiers. Polish-Czech negotiations on that subject, which had gone forward fairly well in 1941, broke down under the pressure of Soviet objections. Further, a divergence of views on the guerilla problem developed, to some extent analogous to the split in Yugoslavia. Unofficial Soviet radio stations broadcast appeals in Polish calling the people in Poland to armed insurrection and guerilla warfare. Polish official circles advised caution, and warned against premature outbursts which would lead to sanguinary massacres. It was decided to transfer the Polish army to the Middle East. Yet all these points of friction might easily have been "localised." The existence of a foreign and politically alien army on Russian soil was, very understandably, a disturbing novelty to the Soviets; and the Poles, too, preferred to keep their army in a non-Soviet environment. The issue of the guerillas is bound to lose its acuteness, once the military situation and the internal position in Poland have developed to the point where more radical methods of resistance are in any case unavoidable. Yet, the cumulative effect of these frictions has been undeniable.

The tension has been further enhanced by the status of Polish nationals in Russia. The number of Polish nationals in Russia may be between six and seven hundred thousand. Many of them are still imprisoned or interned. In addition, the activities of the Polish Relief Fund in Russia have now been prohibited by the Soviet authorities.

This prohibition may well be explained, and perhaps justified, on the ground that the peculiar structure of the Soviet state makes the existence and functioning of extraneous organisations inside Russia very difficult, if not impossible. The prohibition of the Relief Fund activities, however, was accompanied by a political step, the importance of which seems to surpass the immediate issue. The Soviet Government officially notified the Polish Government that, from now on, all Polish subjects in Russia will be considered Soviet citizens. This applies to all Poles who were deported to Russia from Eastern Poland in 1939-41, even to such Poles who before the war had been domiciled in Western Poland, and whom the fortunes of the war brought within the Soviet occupation in 1939. The Poles drew only one conclusion from this measure, which was taken at the beginning of 1943—that Russia had, in fact, raised and to a point unilaterally settled the frontier question.

The Polish-Soviet agreement of July, 1941, provided only a negative solution to the frontier problem. Under it, Russia annulled the Molotov-Ribbentrop Pact of 1939, by which Russia got possession of Eastern Poland. The Poles interpreted this officially as meaning that Russia had recognised the *status quo* of 1939. Until recently, the



ARE YOU RETARDING EFFICIENCY

by
INCORRECT LIGHTING?



YOU couldn't read this paper in a poor light. Are you asking your workers to do efficient work under poor seeing conditions?

You must drive slowly in the blackout because you can't see far ahead. In the same way your workers may be slowed down because they cannot see well enough to work quickly.

LIGHT—THE VITAL FACTOR IN EFFICIENCY. Incorrect lighting impedes efficiency and retards individual output. When poor lighting is corrected, efficiency increases, accidents and "spoils" are reduced, strain is relieved, fatigue is lessened. Obviously total output gains in ratio.

CORRECT LIGHTING IS A SCIENCE. Correct lighting is not merely a matter of increasing the number and the power of your lights. High wattage is no criterion

of good lighting. Glare does not spell efficiency. Lighting is a science: it is a job for the expert.

AN ADVISORY SERVICE FOR INDUSTRY. The Mazda Industrial Lighting Advisory Service has been established to assist the owners and managements of factories to obtain expert advice about their lighting without obligation.

On request, a specialist will visit your works and report on your lighting. He may find it exactly as it should be, and you will be pleased to have his confirmation. He may make valuable suggestions which, if given effect, will aid production, and in many cases will definitely reduce current consumption and therefore save fuel. You are invited to write to-day for details.

BTH RESEARCH AIDS INDUSTRY

BTH Research Laboratories have made an intensive study of both the physical and psychological aspects of lighting in wartime industry, and their knowledge and experience are at the disposal of the principals of industrial undertakings through the

MAZDA

Industrial Lighting Advisory Service

THE BRITISH THOMSON-HOUSTON CO., LTD., CROWN HOUSE, ALDWYCH, LONDON, W.C.2

M.3972



Russian attitude was non-committal; it neither endorsed nor denied the Polish interpretation. It seemed, therefore, reasonable to assume that, whatever the legal niceties of the problem, Moscow envisaged a compromise solution in the form of a negotiated adjustment of frontiers. Recent developments have at least put a question mark on this assumption. The Soviet press waged a campaign against the Poles. The charge was made by the Ukrainian deputy to the Supreme Soviet, M. Korneichuk, that the Poles aim at extending their frontiers into the Soviet Ukraine, a charge which is, in fact, post-dated by more than twenty years. In support of the accusation, M. Korneichuk quoted some Polish papers published in this country, especially some oppositional weeklies, which had criticised General Sikorski for his failure to secure an explicit Soviet recognition of Poland's pre-war frontiers in the 1941 agreement. M. Korneichuk is perhaps the most popular army writer in Russia, and his words carry weight in military circles. In its turn, the Polish official reaction to M. Korneichuk's sally was unduly nervous. The Polish Government allowed itself to be dragged into an untimely frontier discussion in public, and made a strong statement of its unconditional adherence to the *status quo* of 1939.

This statement was unfortunately timed to coincide with the successful effort made by the British Ambassador to Moscow, Sir Archibald Clark-Kerr, to secure a personal conversation between Premier Stalin and M. Romer, the Polish Ambassador. The Polish statement was met by a strong official Soviet counter-statement. Soon afterwards, the appointment of M. Korneichuk to the post of Vice-Commissar of Foreign Affairs followed. This demonstrative gesture, for the time being, brought the crisis to a climax: the Soviet Government has made it clear that it sticks to the "Ribbentrop-Molotov frontier," which it apparently renounced in 1941. For the time, silence was plainly best for all concerned.

But later developments did not unfortunately tend to mitigate the controversy. The "uncompromising" chauvinist sections of the Polish colonies in London and New York attempted to exert pressure on General Sikorski's Government, and some of the Polish papers have thought it fit to make a display of hysterical Sovietophobia. In Moscow, on the other hand, an unrepresentative group of Polish Communists and Communist sympathisers has launched the so-called Society of Polish Patriots, and the polemical articles of their paper, *Free Poland*, were echoed by *Izvestia* and *Pravda*. At the same time, it was confirmed by M. Litvinov that two foremost Polish Jewish Socialist leaders, Henryk Erlich and Victor Adler (both well-known anti-Nazi politicians and members of the Executives of the Socialist and Trade-Union Internationals), have been executed in Russia on a charge of Fifth Column activities. On the Polish side, there is the natural but unbalanced anxiety of people who fought because they refused to cede Danzig to Hitler, and who are now in danger of losing more than half their pre-war territory to Russia. On both sides, extremist pressure groups have exerted a harmful influence. In this country, certain English papers, despite an official recommendation to desist, have continued to publicise only one side of the case—which makes it essential that both sides should be stated, even though total silence would be preferable. The question on which the future of Polish-Soviet relations may to some extent depend is whether the more moderate and co-operative tendencies among both, the Russians and the Poles, succeed in regaining the upper hand. Whatever the pros and cons of the Ukrainian problem, one in which neither the Russian nor the Polish record is by any means spotless, Poland's tragic rôle in this war deserves friendly consideration by its eastern neighbour and ally.

Decay of French Industries

[BY A CORRESPONDENT]

FROM March 1, 1943, the demarcation boundary between the two zones of the German occupation of France has been open for civilian traffic. No permits are now needed to cross from one zone into the other. Restrictions on traffic in the Nord and in the Pas de Calais have been relaxed, and the French-Belgian frontier has come under the control of the French police and of the French Customs

officials. Laval used the occasion to announce to the French yet one more triumph of his collaborationist policy. But the gift has been made to Vichy at a time when it can no longer make use of it, at least economically. Some time ago, the obliteration of the demarcation line might perhaps have served to eliminate some anomalies in the French economy. At present, however, the commercial traffic between the two zones can hardly be increased appreciably. The free distribution of goods throughout the country means very little when both the volume of goods and the transport available are grossly inadequate. In fact, the first weeks since the opening of the demarcation boundary have brought great congestion and confusion in passenger railway traffic. In appeals to the public to refrain from travelling, it was officially pointed out that the present rolling stock of the French railways is only half of what it used to be before the war, and of this half a very large proportion has to meet the needs of German military traffic. It is safe to assume that only one quarter of the pre-war rolling stock can now be used by the French themselves. Motor traffic has been completely paralysed. Only 10 per cent of the road garages are still open, and their customers are much more frequently German officers than French civilians. How the paralysis of transport should be dealt with is discussed in the press uninterruptedly. The switch-over to water transport is repeatedly recommended, apparently with no effect. The available stock of river vessels is very small, and it cannot be much increased. The traffic difficulties in the district of Paris have been strikingly illustrated by the suggestion recently made that underground trains should be used for the distribution of food in the capital.

The shortage of fuel is the basic factor which, together with the shortages of all essential raw materials, determines the industrial position. The Germans have now openly admitted the failure of their plan to increase the French coal output. A scheme, it now appears, was worked out at the beginning of 1941 which envisaged the stepping up of output to 65 million tons. France's pre-war production was about 45 million tons—the increase by 20 millions was intended to make good the cessation of British imports. The German press attributes the failure of the scheme to the shortage of pit props, to the inadequate number of miners and to the lower productivity of the individual miner. The present output is, therefore, certainly lower than it was before the war, although some German reports claim that it has been maintained at the pre-war level. Some time ago it was, with the customary advertisement, announced that new coal deposits had been discovered in central and southern France. There has, however, been no indication that the discovery has been followed up by effective exploitation, and the shortage of labour in the old mining districts in the north will not allow a transfer of miners to the south. The distribution of the current coal output has been entirely controlled by the occupation authorities and subordinated to the needs of the German war economy. The output of hydro-electrical energy has also been at a low level, as has been shown by the recurrent announcements about the closing down of electricity consuming establishments and by the progressive curtailment of the consumption of current.

The fuel crisis has led to intensive timber felling. The timber industry has lost 75 per cent of its trained labour; but the number of workers employed in it has been increased five times since the armistice. (It was 50,000 in 1940 and 250,000 in 1942.) Last year's output was 32 million cubic metres of wood, of which a very high percentage was firewood. The exploitation of the stock of wood has grown to an extent that creates a grave danger to French forestry. According to Radio Paris, 10 million hectares of French woodland are threatened with devastation, and last year's reafforestation covered not more than 10,000 hectares.

The Return of the Sabot

The famous French shoe industry has now become a very important consumer of wood. The programme of footwear production in 1943 consists of the following items: 8.5 million pairs of leather or rubber soled shoes, 16 million pairs of shoes with wooden soles, 7.5 million pairs of clogs and 1.5 million pairs of other wooden shoes. In the meantime, the use of rubber for footwear has been almost totally forbidden, and as the supply of leather has been very small after the drying up of North African imports, the number of wooden soles will probably become even higher.

The position is not much better in textiles. The stock

of raw materials available for 1943 is 120,000 tons, compared with a peacetime annual consumption of 470,000 tons. Cotton, of which France imported some 220,000 tons a year before the war, is no longer available; it is replaced by artificial silk and cellwool, of which 65,000 tons are available to meet this year's consumption. The factories which produce workers' overalls have been given priority in the allocation of raw materials. The first claim on the overalls goes to the workers of the Todt organisation as well as to those who are transferred to Germany under the *relève*. Vichy has, apparently, not only to supply slave labour to the conqueror; it has also to send the slaves in their working clothes. The concentration of the textile industry has resulted in a reduction in the number of textile factories from 12,000 to 8-9,000. The output of the Lyon silk industries is, according to some sources, about 10 per cent of the pre-war volume.

The Metal Tax

Until 1942, the iron and steel, motor car and aircraft industries still worked at full capacity for German orders. Nothing has been published about the present position in those branches of industry. There is, of course, no reason to assume that the Germans have given up the exploitation of the French armament factories. But the extent to which they use them seems to have diminished. The supply of iron seems to be not large enough to feed both the German and French industries. French iron production has recently been radically concentrated—only six foundries have been allowed to continue (the Lorraine industries are, of course, no longer officially considered as French). The stock of non-ferrous metals, too, has been exhausted; copper, tin and nickel have disappeared. An important exception is bauxite, in which France has been one of the world's principal producers. The shortage of all sorts of metals has been responsible for the imposition of the "metal tax," which will surely become a classic curiosity of modern taxation. Certain categories of taxpayers are compelled to pay fixed percentages of their taxes in one of the metals in short supply: iron, copper, bronze, tin, nickel, etc. The "taxation value" of the respective metals is assessed according to intricate tables composed along the lines of "marginal utility."

The reduction in the activities of the metal industries can also be deduced from the scope of the *relève*. According to a Swiss estimate, the number of French workers transferred to Germany, including the 1943 quotas, is 750,000, of whom at least 300,000 are skilled workers. The total is probably too high; the official figure given by Vichy is 500,000; yet the figure of skilled workers is not likely to be very much exaggerated. Until recently the *relève* was mainly applied to skilled metal workers, and it is clear that the transfer of so high a proportion of skilled labour from the French metallurgical plants would have been impracticable had not the employment of those plants been deliberately and drastically reduced.

Books Received

- The Mass Extermination of Jews in German-Occupied Poland.* Polish Ministry of Foreign Affairs. (London) Hutchinson. 16 pages. 3d. net.
- What Does Gandhi Want?* By T. A. Raman. (London) H. Milford. 117 pages. 3s. 6d. net.
- Something Went Wrong.* By L. Browne. (London) Gollancz. 224 pages. 7s. 6d. net.
- The Co-operators' Year Book, 1943.* (Leicester) The Co-operative Productive Federation, Ltd. 112 pages. 9d. net.
- Watch and Ward.* By J. H. Tresfon. (Norwich) Jarrold and Sons. 37 pages. 1s. net.
- Beveridge Report Criticised.* By C. Clive Saxton. (London) George G. Harrap and Co. 35 pages. 9d. net.
- Five to One on the Land.* Broadcast Talks on Agriculture. (London) Allen and Unwin. 62 pages. 1s. 6d. net.

COULD YOU ADDRESS

a public meeting to-night without notes?

RAPIDISM will develop for you

(1) mental alertness. (2) personal courage.

Write now for free Booklet to:

THE RAPIDISM INSTITUTE, 872, TUITION HOUSE, London, S.W.19.

THE BUSINESS WORLD

Fair Deal for Railways

LAST year, British railways earned nearly £40 millions more than the standard revenues to which they were entitled (if they could earn them) under the 1921 Act, and £46 million more than the fixed annual rental to which they are entitled under the revised wartime agreement of 1941. This is not an agreeable spectacle for the average railway equity stockholder. The grapes are there, and they are sweet; but they are out of reach. His spokesmen tell him to exert his influence in the constituencies since, it would appear, this issue of larger incomes for railway stockholders overrides the party truce; and railway chairmen have been bluntly told of his sense of grievance at having to bear "a special burden."

Even the spokesmen, however, appear to realise that the chances of basic revision of the 1941 agreement are extremely slender. They are content to record their protest in the expectation that the post-war railway settlement—and, in particular, the relations between rail and road transport—will show some recognition of the special wartime services of the railways and of the modest participation of stockholders in their fruits. This is at least a more respectable line of argument than could be found for the 1940 agreement, which drove railwaymen and railway stockholders into an unholy partnership to raise costs and revenues. Both sides have improved their lot during the war, though there is no fixed wage fund for railway workers like the fixed earnings fund for stockholders. Undoubtedly, some part of the stockholders' soreness is due to the fact that the rental agreement has radically changed the balance of bargaining power in wage negotiations in favour of the unions, and at the same time has deprived the marginal stockholder of any wartime equity.

The 1942 Pool estimates are indeed a stockholder's pipe-dream. The Pool net revenue amounts to £89,126,000; in 1940 it was £42,763,000, after provision for war damage. The following table gives the figures for the past three years—the 1940 figures are not strictly comparable:—

In £,000's			
	1940	1941	1942
Receipts—			
Passenger	104,785	132,106	163,544
Freight	140,498	158,826	176,658
Miscellaneous	2,709	2,903	3,285
Total	247,992	293,835	343,487
Expenditure	205,480*	226,636	251,715
Net Receipts	44,512	67,199	91,772
Net Pool Revenue	42,763	65,125	89,126

* Includes provision for war damage.

Two points are especially noticeable in these figures. The first is the spectacular growth in passenger receipts, which far outstrips the growth in freight receipts, great though that is. Last year, passenger takings accounted for about 48 per cent of traffic receipts, compared with 43 per cent in 1940, and 44 per cent in 1937. This is a rough comparison, which ignores the effect of London Transport's returns in the Pool estimate. Making all allowance for the large part which the transport of Service personnel plays in these results, they illustrate the old railway principle that higher passenger loadings are the most efficacious way of increasing net receipts.

The second point is the remarkable improvement in the operating ratio, that is, in the proportion of gross receipts that is absorbed by operating expenses. The average figure for the four main lines in 1937—a moderate pre-war year—was 80 per cent. It was 82 per cent for the 5 controlled undertakings in 1940, 77 per cent in 1941, and 73 per cent last year. But it would be most dangerous to suppose that this trend has become a permanent feature of railway operation. The maximum capacity at which the railways

can operate in wartime is well beyond the optimum capacity of peacetime. Passengers have been crowded on drastically reduced services, and cheap fares withdrawn—both conditions which the railways could not afford to impose in peacetime, even if they wished. Private traders, taking second place to essential wartime traffic, have tolerated the handling of their consignments on the basis of efficient waggon loading rather than speed of delivery, and exceptional rates for freight have been curtailed.

In short, the railways in wartime—and then only—operate as a virtual monopoly. Quite apart from the increase in passenger and freight working directly due to the war, they could almost certainly earn their standard revenues under peacetime working if the same apparatus of control were to exist. To regard the 1942 Pool results as having any relevance to the normal earning capacity of the railways, or as supporting any claim that stockholders have been unjustly treated, is to ignore the special conditions of wartime operation. The results are due to the sacrifices of railway users, and to the state, which is, after all, responsible for the creation of the wartime traffics. In these circumstances, it seems reasonable enough that the financial advantages should accrue to the state, and that the stockholders' equitable reward should remain based, very roughly, on a fixed rental related to normal earning expectations, plus a modest *douceur*.

What relevance, then, have the figures to a post-war railway settlement? Suggestions are sometimes heard that the wartime results should be used in computing the basis of compensation, if and when the railways are nationalised after the war. This begs the question whether the nationalisation of railways is desirable; it is, in fact, a dead issue, buried by Lord Keynes in 1926. It is most improbable that any improvement in railway efficiency would result from nationalisation, or that the purchase price would be limited to a strict capitalisation of the railways' normal expectation of earning power. Both as taxpayer and traveller, the citizen would almost certainly lose by nationalisation. There is probably quite sufficient control of the railways' "natural monopoly" in normal times to satisfy the public interest. Suggestions of nationalisation, therefore, must be suspect, whether they come from politicians or from stockholders who have lost faith in their equity and would prefer a gilt-edged holding instead.

Stockholders have been told that post-war transport problems are being actively considered by their boards, but there are, as yet, only a few hints of the direction which these discussions are taking. "Co-ordination" of rail and road transport is the keynote, and it means, in plain terms, agreement between the two sides of the industry to ensure that the railways enjoy better loading conditions, and get a bigger proportion of high-class freight traffic. It is a problem that was being slowly tackled before the war in road-rail discussions. Whether a mutually satisfactory "Square Deal" could have been worked out then is impossible to guess: It may be a good deal more difficult to work out after the war, so long as road transport services are free from restriction, and so long as traders are free to send goods by rail or road as they wish. Standardisation of road and rail rates would not be sufficient in itself, but standardisation of rates, coupled with control of users, could bind this country to a transport monopoly which might well choke the arteries of trade.

No transport agreement, whether voluntary or imposed by Statute, can be acceptable which fails to ensure cheap and efficient transport. No railway stockholder who holds other views should run the risk of retaining his holding. He should judge the present by the rental agreement, and refuse to contemplate the future through the rosy spectacles of the 1942 Pool results. As for the passenger and trader, let him bear with his present difficulties and watch the future. He was vociferous enough after the last war, and his turn to protest may come again.

Finance and Banking

The Foreign Exchange Market

The official publication of the proposals for an International Clearing Union has eased many anxieties in foreign exchange and banking circles. Earlier hints that the Keynes scheme involved a system of multilateral clearing—as in effect it does—had given rise to fears that it envisaged the establishment of a clearing office in each country through which all foreign payments would have to be canalised. A highly academic and unrealistic scheme proposing such a multilateral clearing system had recently received surprising attention in the City and there had been an altogether unfounded tendency to confuse this scheme with Keynes', because they both used the same terms to depict vastly different things. The Keynes scheme would, in fact, involve the least possible interference with the existing mechanism of the foreign exchange market or with the organisation and functions of international banking. Each national foreign exchange market would continue to function, with such degrees of control as its authorities thought fit, quite independently of the Clearing Union. It would only be the relatively small hard core of uncleared balances arising out of the operations of the open market which would be cleared through the Union by the central banks of the countries concerned. The Keynes plan even provides scope for free dealings in gold. Central banks would be entitled to retain their separate gold reserves and ship gold to one another, provided they did not pay a price above the parity indicated by the ratio of their currency to the *bancor*. The White Paper even suggests that gold might be put into circulation by any country desiring to do so, though such a step would inevitably restrict the scope for changes in exchange parities, provision for which is an essential part of the plan.

"The Practices of the Goldsmiths"

One false note in the White Paper on the Keynes scheme is the claim that this is the first real attempt to apply the "banking principle" to international payments, and the accompanying assertion that in the matter of payments between countries the world has never got away from the practices of the seventeenth century goldsmiths. This is perhaps an odd statement to come on such high authority, and from London, of all places. It is probable that nowhere has the banking principle been applied more effectively than it was in the mechanism of the pre-1914 gold standard, hinged on the operations of the London capital market. Every commercial country of importance kept funds in London, while in their turn London bankers and acceptance houses extended their facilities throughout the world. Britain was the main creditor nation; but by its free trade policy and willingness and ability to lend abroad on short and long term, it kept her net balances of payments very near to equilibrium. There was a highly integrated international foreign exchange market which allowed arbitrage to follow minute differences in interest rates and international security prices in such centres as London, Paris, Amsterdam, Brussels, Berlin and New York. The result was that the immobilisation of international credit through gold movements was kept down to a minimum. International shipments of bullion were, even in years of crisis, a minute fraction of the total international monetary turnover. It is true that the world fell sadly away from the achievements of this efficient mechanism. After 1920, America became the main creditor, and, for a variety of reasons, not all of its own choosing, decided to take its credits in gold, which became sterilised in its banking system with disastrous result to the balance of world economy. But this advent of the dark ages in monetary affairs should not obscure the fact that they had been preceded by a long period of comparatively high civilisation. What the Clearing Union may hope to achieve is to re-discover, centralise and systematise the application of the banking principle to international payments.

More Bills for Market

During the past week there has been a complete return to credit abundance after the exceptional spasm of

stringency experienced in the previous week. That interesting departure from the normal ease was to some extent an aftermath of the special measures taken to maintain the position exceptionally easy during London's Wings for Victory week; but it was also a result of the peculiar distribution of the Treasury bill issue. In the past few days the position, helped by the previous week's heavy special buying of bills, has again eased, though the market obtained the more normal allotment of 30 per cent of the £75 millions of bills that were tendered for on Friday of last week. This week the tender for Treasury bills is being raised to £80 millions, another indication of the desire of the authorities to restore to the Treasury bill issue some of the elasticity which it has for so long lost to the Treasury deposit receipt issue. This week's TDR payments amounted to £70 millions, against which there were nominal maturities of £50 millions, of which an appreciable amount had been pre-encashed. In spite of this net floating debt borrowing, the Bank return shows a small increase of £165,000 in bankers' deposits, maintaining them at the comfortable level of £144,510,000.

Dollar Devaluation

The question of the United States President's powers to change the gold value of the dollar is again attracting attention. This has led to all kinds of rumours of a further devaluation of the currency—rumours which have done good service to the speculative activity in gold shares. The monetary powers vested in the President have their roots in two laws, the Agricultural Adjustment Act of May, 1933, and the Gold Reserve Act of February, 1934. The first gave the President power to fix by proclamation the weight of the gold and silver dollar

at such amounts as he finds necessary . . . to stabilise domestic prices or to protect foreign commerce against the adverse effect of depreciated foreign currencies.

But this discretionary power was limited, as regards the gold dollar, to a devaluation of 50 per cent. The Gold Reserve Act put an upper limit to the powers of changing the value of the gold dollar, this ceiling being 60 per cent of the old gold contents of the dollar. These powers were extended from time to time, the last occasion being an Act approved in June, 1941, which put the expiry of the President's devaluation powers forward to June 30, 1943, unless the President shall sooner declare the existing emergency ended. The emergency is far from ended and the administration is again seeking for an extension of its monetary powers. The fact that this question is coming up for consideration at the present time has become mixed up with the discussion of the various international currency stabilisation plans now before the American and British publics. It should be noted that the "unitas" of the United States Treasury scheme is based not on the dollar, but on gold, the unit of account being equal to the weight of gold of ten present-day dollars, i.e., 137 1/7 grains of fine gold. Under this scheme, the United States would have to give greater statutory permanence to the possibility of changes in the gold content of the dollar than those provided by existing legislation. The scheme makes definite provisions for changes in the value of member currencies in terms of the unitas, i.e., of gold, given the required four-fifths majority of the Board of the proposed international authority.

For the Child's future —
consider a

MAGNA CARTA POLICY

which affords protection should the
father die during the child's minority.

NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE

Founded 1835

48 Gracechurch Street, London, E.C.3

Investment

Higher Equity Yields

The story sketched last week on the basis of the sensitive indices of *The Financial News* can now be filled in from the fuller figures of *The Actuaries' Investment Index*. This shows a renewed rise in all the main sections of industrial equities except miscellaneous, which has been brought down by the weakness of brewery shares. Further, last month's improvement more than offsets the February decline and all sections, including miscellaneous, are above the end-January level. The really interesting point is, however, that, this rise notwithstanding, the main sections, again excluding miscellaneous, show a rise in yields. This can only mean that dividend payments have been increasing, and that the rise in the general level of prices has failed to keep pace with this higher level of distributions. In detail, the improvements in prices on the month are not quite what was expected. Despite the recent setback, aircraft shares have risen further without the assistance of larger payments, while building materials, cotton shares and gas stocks also made important contributions to the net gain. Electrical distribution stocks were, however, down by some 4 per

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)				Average Yields		
	Mar. 31, 1942	Jan. 26, 1943	Feb. 23, 1943	Mar. 30, 1943	Mar. 31, 1942	Feb. 23, 1943	Mar. 30, 1943
2½% Consols	147.5	146.5	146.3	146.2	3.02	3.05	3.05
Home Corps. (4)	141.3	145.0	144.6	143.8	3.30	3.22	3.24
Insurance (10)	99.5	102.6	101.0	99.1	4.09	4.10	4.20
Investment Trusts (9) ..	37.2	41.2	43.1	44.9	6.13	5.33	5.10
Aircraft Mfg. (5)	49.1	70.5	70.4	72.4	11.12	7.63	7.39
Building Mats. (6)	63.0	87.1	85.0	88.4	4.30	3.46	3.33
Elec. Light & Power (16) ..	108.5	117.9	120.2	115.6	4.33	3.91	4.04
Gas (8)	69.3	89.3	88.8	91.0	3.35	3.04	3.08
Total Productive (90)	60.6	76.2	75.8	76.4	5.26	4.48	4.52
Total Distributive (29) ..	45.9	65.8	65.3	66.1	4.94	3.93	4.16
Breweries (20)	113.3	137.0	137.6	135.9	5.16	4.50	4.52
Total Miscellaneous (40) ..	68.1	81.0	81.4	81.2	5.05	4.29	4.29
Industrials— (All Classes) (159)...	58.8	74.7	74.4	73.9	5.15	4.33	4.40

cent on the talk of grouping and eventual nationalisation. Outside the industrial list, there was a further sharp fall of some 2 per cent in insurance shares, which now stand below the level of a year ago. If the month brought a widening of the yield margin between equities and fixed interest, it also witnessed a continuance of the narrowing of margins within that category. Gilt-edged were stable to firm on the month, but home corporations fell, while there was a further improvement in debentures in the productive industrial group and a rise in preference shares in both that and the distributive group. The rise in equity yields strengthens the view that prices existing two months ago fully discounted any improvement then in sight. There may well be some more results which are slightly better than their predecessors, and a further improvement in distributions on the scale of last month might start a fresh buying wave of modest importance.

The Vested Shares

The statements of the Prime Minister and the Chancellor of the Exchequer have not entirely relieved the anxiety of those who were perturbed by the Short Brothers vesting and other Government acquisitions. Mr Churchill's statement that he could not conceive that the Government would embark upon a policy of nationalising the aircraft industry without consulting, not only the House, but the country is reassuring. It indicates that no break with constitutional procedure is in contemplation. But the suggestion that a new and developing industry such as this may be nationalised has aroused concern. There was no answer to the particular question whether the Government, without proceeding to nationalisation, might elect to run individual companies. There would, of course, be nothing objectionable if this happened, provided that such companies should operate on an identical footing with those privately owned—which would not be easy to ensure. Very properly, it has now been stated that there is no intention to use wartime powers to prejudice unjustly any existing firm or their

shareholders. But the investor and the industrialist are naturally concerned less with the intention than with the effect. The fact that a host of anomalies and minor injustices, caused inevitably by a mass of hastily created laws and regulations, are borne with little complaint justifies those who bear them in asking for a full explanation. Sir Kingsley Wood's replies did not carry this particular matter much further. It is scarcely necessary to give holders of vested shares a receipt, since their holdings are in any case on record. The plain fact is that the Government has yet taken no decision as to post-war policy.

Valuation of Assets

The correct method of valuing assets in company balance-sheets has been for decades a matter of dispute among accountants and others. In the past, the problem has usually been approached purely from the standpoint of the shareholder, and the object has been to ensure that there should be no distribution of capital as profit. With the emergence of the idea that the state should take a hand in evening out the trade cycle, there has arisen a desire that industry should make its own contribution, and the old problem of valuation—in this particular case, valuation of inventories—is taken up from the standpoint of influencing the trade cycle by Mr K. Lacey in *The Accountant*. He maintains that, under existing systems of accounting, a rise in book values of stock-in-trade due to a rise in prices would be considered as profit of the period and distributed as such. This, of course, tends to raise prices higher than they would be if the distribution were cut to a figure at which the maintenance of the physical volume of stock were assured, other balance-sheet items being unchanged. Correspondingly, when prices are falling, there would be an under-distribution resulting in an acceleration of the deflationary process. It had been commonly assumed that, while the valuation process was as described, special provisions were made, not explicitly, but by additions to reserves. But if this is not so, or if the true facts of the case were not understood, the case for a revision of outlook is overwhelming. Mr Lacey goes on to make a specific suggestion as to the future. This is that industry should be required, after the post-war restocking, to set up a reserve, free of income tax and EPT, to cover the wartime rise in the cost of stocks at the level existing either before the war or after the restocking, whichever was lower. If prices fell, the relevant amount would be withdrawn from this fund, and, when they rose, the fund would be increased out of the company's resources to cover the increase. Evidently, such a practice would be a valuable stabilising factor, but it is not clear that the state can be expected to shoulder the bulk of the burden of replacing any capital of existing concerns which has been lost in this particular way during the war. The demand for replacement of fixed assets would be at least as difficult to resist. The whole problem needs detailed study, and all that can be said at this stage is that one must reconstruct first those concerns which are capable of making the largest contribution to reconstruction. It will also be necessary to make arrangements for new entrants into industry.

Doulton's Accounts

In presenting the accounts of Doulton and Company for the past year, the chairman, Mr L. J. E Hooper, draws attention to changes in the form of the accounts with results which, it is claimed, give the clearest possible picture of the company's affairs, within the necessary limitations of published accounts. These accounts have in many respects been above average for some years past and of late have been improved almost yearly. They go a long way towards itemisation of both assets and liabilities; the convenient modern practice of deducting current liabilities from working capital is followed, and the former include all appropriations, whether sanctioned or not, which should be placed under that category. Further, tax liability on January 1, 1943, is separately stated from future provisions and the latter are included under allocated reserves, which are separated from those available for general purposes. The former include depreciation, but it is a retrograde step that this is no longer split between depreciation on land and buildings and that on plant and

equipment. It is also a pity that the company does not state the amount of sales and additions, but merely the net figure of the two together, since this makes it impossible to keep track of the rate of depreciation provided. For the rest, all the information given is excellently arranged and very clearly presented. Unfortunately, the profit and loss account, at least, what was spent on materials, wages and power. This one does not even give details of whence the profit was derived, or of administrative charges. It is, in fact, only an appropriation account, with the addition of directors' fees and a non-recurring item. Even the occasional transfers to staff superannuation are not explained. The company, whose earned percentage dropped from over 30 for 1937 to 2 three years later, did much better last year. The profit was more than three times as large as in 1940. The ordinary dividend is maintained at 5 per cent, with a small margin to spare after providing £20,000 for deferred repairs and half that sum for staff superannuation, against nothing in either case last year. The board has decided to distribute, out of capital reserve, a scrip bonus of equal amount.

Mexican Bond Payments

The agreement between the Mexican Government and the International Committee of Bankers on Mexico for modified resumption of service on the direct external debt from the beginning of 1943 has now been put into effect. Funds adequate to meet the payments specified under the agreement were received in time to honour the April 1st coupons. This news was followed by a number of fractional rises in the market prices of the leading Mexican issues. The 5 per cent Consolidated External Gold Loan, 1899, now stands at around 18 and the 6 per cent ten-year Treasury Notes, 1913, Series "A," at around 20. The improvement in quotations is, of course, evidence of the earlier lack of market confidence that the specified payments would materialise. The low level of prices still reflects general dissatisfaction with the terms of the agreement under which the Mexican Government has eliminated all interest due in the years 1923-42 inclusive, by purchase at depressed prices of the interest obligations in those years at 1 per cent of face value. Under the present scheme, the secured debt is to be retired in the course of the next twenty years and interest payments in the meanwhile will be met by annuities. It appears that the total sum initially to be paid out in interest will amount to pesos 10 million, but this will, of course, decline as retirement is effected. In addition to the 5 per cent state loan of 1899 and the 6 per cent ten-year notes, British investors also have important interests in the 4 per cent External Gold Loan, 1910. Recent negotiations on the question of the external debt have not raised the investors' faith in Mexico's willingness to pay.

Capital Issues in 1943

In the first quarter of the year, capital issues calculated on the "New Basis," which includes issues by "permission to deal," were some £30 million lower than in the corresponding quarter of 1942. The customary capital issue tables printed in the next column show that the whole of the fall took place in Government issues, at £459,040,900 against £493,120,000. Compared with the total of £327,871,340 raised in the fourth quarter of last year, there is, however, a substantial recovery in Government issues amounting to some £132 million. In both years, these figures were, of course, swelled by the special influences of savings campaign boosts—warships and wings for victory weeks. It is, however, possible that the downward trend in Government borrowing, excluding floating debt and tax certificates, which became evident during the course of 1942, has now been decisively reversed and is in the process of moving to new high levels. Compared with the totals of a year ago, Savings Certificates have yielded more than £5,000,000 more, and all series of National War Bonds nearly £4,000,000 more. The decline in the sales of 3 per cent Defence Bonds continues. The first quarter total of these is only some £35 million, £17 million less than in 1942. There is also a considerable drop in sales of 3 per cent Savings Bonds, which brought in £167,415,115 against £193,194,506. The total of unofficial issues, although more than three times that of a year ago, is still only £6,585,000. The largest issue was that of ordinary capital to a nominal

total of £2,962,238 by Lancashire Steel, which represented only a transfer of ownership. United British Oilfields of Trinidad has increased its 5 per cent debentures by £750,000, and there have been numerous small issues in the miscellaneous section. Helped by the removal of the ban on conversions, the industrial total for the last three months amounted to £10,482,751 against £4,002,059.

TABLE I—TOTAL BORROWING (MILLION £)

First Quarter of Years	British				Empire	Foreign	Total Issues	Indices
	Government	Home Corporations	Others	Total Home				
By Direct Public Offer (Old Basis)								
1928	85.8	1.0	47.6	134.4	21.6	13.0	169.0	1928 = 100
1940	371.8	Nil	0.7	372.5	0.1	Nil	372.6	220
1941	327.3	Nil	Nil	327.3	2.5	Nil	329.8	190
1942	493.1	Nil	Nil	493.1	Nil	Nil	493.1	292
1943	459.0	Nil	0.2	459.2	Nil	Nil	459.2	271
Including "Permission to Deal" (New Basis)								
1935	3.0	3.8	57.4	64.2	9.1	1.4	74.7	1935 = 100
1940	371.8	Nil	4.6	376.4	0.4	Nil	376.8	505
1941	327.3	Nil	Nil	327.3	2.9	Nil	330.2	442
1942	493.1	Nil	1.8	494.9	0.2	0.1	495.2	663
1943	459.0	Nil	5.8	464.8	0.8	Nil	465.6	623

* Including County and Public Board Loans.

TABLE II—TOTAL COMPANY ISSUES (MILLION £)

First Quarter of Years	Old Basis				New Basis			
	1940	1941	1942	1943	1940	1941	1942	1943
Debentures	Nil	Nil	Nil	Nil	1.0	0.2	0.1	1.7
Preference	0.1	Nil	Nil	Nil	0.3	Nil	0.2	0.6
Ordinary	0.6	2.5	Nil	0.1	3.7	2.7	1.8	4.2
Total	0.7	2.5	Nil	0.1	5.0	2.9	2.1	6.5

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

	Old Basis		New Basis	
	First Quarter 1942	First Quarter 1943	First Quarter 1942	First Quarter 1943
British Government Loans	£493,120,000	£459,040,900	£493,120,000	£459,040,900
Mines	Nil	Nil	21,000	Nil
Breweries and Distilleries	Nil	Nil	Nil	64,900
Oil	Nil	Nil	27,000	750,000
Coal, Iron and Steel	Nil	Nil	197,900	3,793,100
Stores and Traders	Nil	Nil	178,300	92,100
Shipping	Nil	Nil	1,181,800	Nil
Electric Light	Nil	Nil	Nil	131,200
Manufacturing and Miscel.	Nil	136,200	528,300	1,753,700
Total	£493,120,000	£459,177,100	£495,254,300	£465,625,900

Company Notes

John Summers' Expansion

The preliminary statement of John Summers & Sons, steel-sheet producers, reveals a further substantial improvement in trading profit for 1942 from £874,494 to £1,066,253, against only £553,590 in 1940. Taxation and war damage insurance together require £541,589 against

• Interest paid half-yearly
• Income Tax not deducted at source

3% SAVINGS BONDS
1960-70
POST OFFICE & TRUSTEE SAVINGS BANK ISSUE

Issued by the National Savings Committee

£480,588 in the previous year, when tax alone took £425,000. Since war damage assessments have been substantially reduced over the past year, the latest tax liability cannot fall far short of £500,000. The payments on the "A" and "B" ordinary shares are raised 2½ points each, to 8½ and 4½ per cent respectively, thereby restoring the 1939 distribution. Provided that no new charge has to be met, earnings should be adequate for the repatriation of the transfer of £140,000 made to general reserve in 1941. These results doubtless reflect the first full year's efficient operation of the new strip mill, the management having surmounted the initial difficulties of transition and new methods, which caused the sharp setback to earnings in 1940. Provided the economies derived are passed on to the consumer, there is no reason to doubt that the constant and considerable demand, required to enable the optimum output of the plant to be maintained, will be forthcoming. The experience of wartime production has helped the management of John Summers over the difficulties of the running-in period, and they should be able to cope the more easily with post-war problems. The £1 "A" ordinary shares at 27s. 6d. yield £6 7s. 8d. per cent, a reflection of past difficulties as much as doubts concerning the future.

United Glass Bottle

Trading profits of United Glass Bottle, struck after EPT and depreciation, were some £10,000 lower last year. Total profits are reduced in consequence from £415,530 to £406,267. A number of reductions in allocations have, however, more than saved the drop in revenue. Income tax liability is slightly lower, at £166,000 against £168,000, and there is no transfer for writing off ARP or for war damage insurance, which together required some £23,000 in 1941. Thus, equity earnings are increased from £102,136 to £116,251 and the 12 per cent ordinary dividend is even more generously covered by a rate of 20.7 against 18.3 per cent. The entire surplus is used to raise the transfer to contingencies from £25,000 to £50,000, at the cost of a small reduction in the carry forward from £65,922 to £65,152. From the shareholders' standpoint, these results are, of course, entirely satisfactory. Unfortunately, they shed little light on the industrial experience of the concern in 1942. It is quite possible that the rise in equity earnings is the reflection of higher gross profits, from which have been deducted EPT and higher depreciation, and not merely the result of lower deductions. Last year, the chairman, Sir Max J. Bonn, emphasised that profits still depended on increasing output and turnover with no rise in prices. In view of the notorious shortage of glass bottles, there must have been every attempt to expand production, but it remains probable that output was limited by a severe shortage of materials. The balance-sheet shows a slight reduction in debtors, but a striking rise in creditors from £372,570 to £647,635, and in net loans to subsidiaries from £10,052 to £52,746, so that some expansion does seem probable. There is little change in the comfortable margin of net liquid assets at £959,315 against £951,625. The £1 ordinary shares, at 60s. ex dividend, yield £4 per cent.

Plastics Profits

For the fifth successive year, the accounts of the British Xylonite Company, a holding company in the plastics industry, show a fall in gross income, profits for 1942

declining to £63,493 from £74,423. The return of £5,100 in respect of over provision in previous years, considerably reduces the actual tax payment to £18,648 against £30,865. After the preference payment, earnings for the ordinary dividend, maintained at 10 per cent, have risen from 11.5 to 12.2 per cent, some £3,400 being added to the carry forward, now totalling £57,162. The consolidated statement, however, provides a more accurate picture of the group's intensive operations. Unfortunately, the whole increase in trading profits from £826,753 to £981,245, is absorbed in taxation, requiring £786,741 last year against £627,449 in 1941. The parent balance-sheet shows subsidiaries at £1,032,972 and net liquid assets of £307,803. The feature of the consolidated statement is the holding of £930,000 of tax reserve certificates, against a tax provision of £1,203,200 compared with only £713,698 in 1941. All liquid assets other than the above-mentioned government stocks show insignificant declines, stocks to £673,068, debtors and cash to £555,109 and £134,128, respectively. Despite the increase in creditors, surplus liquid assets have risen some £62,000 to £985,134. Not only the accounts, but the chairman's statement, are well above the average for the times. Mr. C. F. Merriam gives an interesting commentary on the technical aspects of plastics production, in particular stressing this country's inferiority to both America and Germany. He considers that plastics will complement rather than supplant existing materials, a more realistic view than some on the future of this industry. At the current price of about £3 the £1 ordinary shares yield £3 6s. 8d. per cent.

United Serdang

The accounts of United Serdang for the year to August 31, 1942, present an opportunity for another sad *post mortem* on rubber and palm oil estates now wholly in enemy occupation. There was, of course, production and cultivation in Java and Sumatra for some five months of the year in question and, consequently, there is a small balance on trading account of £47,818 against £160,293. Income from dividends, which will form the sole revenue until the Japanese are evicted, is, however, no more than £5,762. After deducting administrative expenses, there is a surplus of £46,446, representing 6.5 against 20.7 per cent on the ordinary capital. The directors have decided to take the drastic, but salutary, step of writing off, out of profits and carry forward, all liquid assets in the Far East to a total of £256,237. This involves a draft on the carry forward of £209,791, reducing it to £35,096. In addition, the concern has a general reserve of £50,000. The balance-sheet and profit and loss account are shown in consolidated form, and, failing up-to-date information from the wholly-operated subsidiaries, the former includes no reference to inter-company items. The liquid items are all notably lower—evidence of the disappearance of trading business since February, 1942—with the exception of Government securities, which show a moderate absolute rise from £223,800 to £338,150. At their reduced level of £275,426, net liquid assets are not high, considering the calls which there must eventually be upon the companies' cash resources. The £35,096 carried forward is subject to adjustment of taxation, of which no close estimate can be made. The management has cut its losses to the full, and the picture presented by the balance-sheet is no doubt a conservative one. The 2s. ordinary shares now stand at 1s. 6d.

Steel Research

In his address to shareholders at the annual meeting of the Lancashire Steel Corporation, Mr John E. James, the chairman and managing director, rightly drew attention to the importance of research in the iron and steel industry. More research should be carried out not merely by individual companies, but also collectively by the industry as a whole. The rapid progress in metallurgy during the past few years has focused attention, not on the limits of technical development, but on the wide scope for further improvement. If the British steel industry cannot compete in size with the industry in the United States, for example, it can still remain in the forefront of technical development. Another aspect to which the industry is no doubt paying a good deal of attention is the utilisation of its capacity after the war. Here again the success of the industry in marketing its products will depend on its ability to produce the right kind of materials at competitive prices. It will not find salvation behind a tariff wall, but by keeping abreast of its competitors in the kind of materials it can produce best.

* * *

War Damage

Sir Malcolm Trustram Eve, chairman of the War Damage Commission set up under the original War Damage Act, reviewed the work of the Commission on Monday, on the occasion of its second anniversary. He pointed out that some three million properties had been damaged or destroyed by enemy action; that claims had been paid in respect of 1,200,000 buildings; and that, inclusive of payments to local authorities, the total amount expended had already passed the £100 million mark. In other words a large volume of first-aid and permanent repair work has been carried out during the past two years. It is doubtful, however, whether repair work can continue at the present rate; in particular, other needs may demand the slowing down of permanent repairs. The Commission has now begun the task of classifying claims and, especially, of distinguishing between properties ranking for a cost of works payment and a value payment. Classification has been appreciably facilitated by the War Damage (Amendment) Act, 1943, which prescribes the use of 1939 values, instead of the unknown postwar values, as a yardstick. Broadly, the effect of the Amendment is that if on 1939 figures of labour and material costs, any damaged building would have been worth repairing, it will be considered worth repairing after the war and its owner entitled to a cost of works payment. The record of the War Damage Commission is encouraging; after some initial difficulties it went about its task in businesslike fashion.

* * *

Suspension of Coal Rebates

By the Railway Freight Rebates Bill, which was given its first reading in the House of Lords last week, the statutory arrangement, by which the coal export trade has been virtually subsidised since the Derating Act of 1929 to the extent of an average amount of about £1.8 millions per annum through the Railway Rebate Fund, is to be suspended indefinitely. This decision is the latest phase of the new policy in the control of the finances of the coal mining industry which was inaugurated in June, 1942, by the Coal Charges Order. The effect of that Order has been to pool the current income of the industry. The first step was the taking over from the Central Council of Coal Owners the collection and distribution of the War Emergency Assistance and the Guaranteed Wage levies of 7d. per ton; the second, the diversion on July 3rd, into the Coal Charges Fund of the proceeds of the 3s. increase in the price of coal authorised by the Government to meet the cost of the Greene wage award and other accrued charges; and the third, the contribution by the colliery owners to this fund of the proceeds of a further increase of 1s. per ton in the price of coal from January 1, 1943, as well as of an additional 6d. to cover the cost of the output bonus, and, among other purposes of a scheme intended to maintain the credit balance of the industry at a level "necessary in the interests of efficient production." These operations were financed by a national levy of 5s. per ton on colliery disposals, and on current consumption this levy represents over £45 millions per annum. It is now to be increased by the transfer to the Coal Charges Account of that part of the net revenue of the Railway Freight Rebates Fund which would otherwise have been available for the rebates on

export coal. When the war broke out the rebate was 1½d., plus 20 per cent of the nominal conveyance charges, representing approximately 6½d. per ton on the coal exported. Owing to the war period contraction in the volume of the export trade, the rebate has been increased to 1½d., plus 75 per cent of the nominal charge, representing between 2s. and 2s. 6d. per ton; and for the nine months ended September last, the total amount allowed was estimated at about £700,000. In the recent negotiations with the Government the industry fought hard against any interference with the normal operation of the rebate fund and for the earmarking of current surpluses to meet post-war export trade contingencies. Since 1939, however, the position has been complicated by the raising of export prices in September that year to the level of inland prices; by the new scheme under which the districts are now severally guaranteed credit balances which compare favourably with pre-war pithead profits, but without taking into account the change in the price level; and by other factors. The Government, however, has made two or three material concessions to the industry. It has agreed, for instance, to compensate colliery owners—possibly in the form of price allowances on current exports—for the loss incurred by the suspension of rebates; this compensation is to be paid on all shipments and not merely on those to foreign countries; the Government has also agreed to keep in the rebate fund the net surplus at September 30, 1942 (estimated at over £500,000 after adjustments to cover railway repayments) for distribution when rebates are resumed.

* * *

Clothing Price Schedules

The President of the Board of Trade has made two new Orders, the Utility Apparel (Maximum Prices and Charges) Order, which revokes and replaces previous Utility Orders, and the General Cloth and Apparel (Maximum Prices and Charges) Order, which amends the previous Order. They come into force on April 12th. In the new Utility Order, tables of margins and ceiling prices are divided into eight sections, each dealing with a particular class of apparel, and published separately as a "related schedule" to the Order. The schedules relate to men's and boys' outerwear, underwear, women's outerwear and underwear, overalls, knitted apparel, infants' and girls' apparel and gloves. The layout is designed to simplify traders' problems in looking up relevant price schedules. Ceiling prices are specified for recently introduced utility garments, and others have been simplified. Distributive margins for utility nursing uniforms are set out in the Order, but ceiling prices have not yet been fixed. Some changes have been made affecting non-utility as well as utility clothing, concerning increased retail margins for shirts, and alteration charges. Where wholesalers' maximum prices exceed 3s., they may now be rounded to the nearest penny. In certain conditions, composite business (retailers who supply ten or more branches from a central warehouse) may add an extra margin of 5 per cent to the price paid to the manufacturer for most classes of made-up apparel. The general principle that no business may take more than one distributive margin remains in force. A revision of non-utility retail margins to a tax-exclusive basis is promised after a review by the Central Price Regulation Committee. Withdrawals of labour from the making-up trades have begun in areas for which concentration arrangements have been made.

* * *

Milk Prices and Distribution Costs

As a result of the Ministry of Food's plan for the distribution of milk, which began on October 1st last year, savings have been made in distribution costs at the rate of £2,250,000 per annum. The saving is being directed to reduce the subsidy (which was about £20 million last year, including the cost of the National Milk Scheme) rather than retail prices. Milk distributors are paid according to the function they perform, the services performed by the larger distributors themselves being more extensive than those of the smaller ones, whose supplies are delivered to them; and costing investigations are continually undertaken. The cost of certain services was reduced on April 1st. The depot allowance and the wholesale allowance, at 1½d. and 2d. per gallon respectively, remain unchanged. Retailers get ½d. per gallon less, under the new costs, making their remuneration 10½d. per gallon in London and 9 5/6d. in the provinces. The reduction will be made by increasing the maximum price to retailers from 2s. 1d. to 2s. 1½d. per gallon.

Industry and Trade

Coal Production

Coal production, frankly, remains disappointing. Not only was there a decline between February and March, compared with a substantial expansion a year ago, but actual output last month was appreciably below last year's corresponding figure and below the standard tonnage. It may be that the current rate of output is adequate for current needs, thanks to the recent mild weather and the economies achieved in consumption. But it would be a pity if a temporary easing of the position were to delay the promised reorganisation of the coal-mining industry. The need for an improvement in productivity is as great as ever.

WEEKLY OUTPUT OF SALEABLE COAL
(Weekly Standard Tonnage 4,161,800 tons)

Four Weeks ended*	1941 tons	1942 tons
September 5th	4,080,200	3,978,000
October 3rd	4,146,600	4,076,100
October 31st	4,131,400	4,124,500
November 28th	4,196,650	4,126,500
December 26th	3,853,400	3,880,100
	1942	1943
January 23rd	3,824,800	3,813,400
February 20th	4,028,000	4,016,400
March 20th	4,074,600	4,013,700

* The actual dates given relate to 1942 and 1943.

Retailers who do their own wholesaling get an additional allowance. This is reduced by 1d. It varies according to turnover. For a daily turnover of 750-999 gallons the remuneration is now 1d. per gallon; 1,000-1,249 gallons, 1d.; 1,250-1,499 gallons, 1d.; and for 1,500 gallons and over, 1d. per gallon. The average costs of retail firms which do their own wholesaling are approximately 1d. per gallon above other retailers, which justifies the extra allowance. The cost of the wholesale service, when carried out alone, is more expensive at 2d. per gallon. The changes in margins are based on costings made early in the winter. The reduced costs resulting from the rationalisation of retail delivery have not yet exerted their full influence, since few schemes were in operation before the beginning of this year. They will be reflected in the results of the next costs investigation, to be made during the summer. Any necessary change will be made from October 1st.

Flax Production Report

The Session's Fifth Report of the Select Committee on National Expenditure is concerned with the expansion of flax production in England and Scotland. Before the war, only about 3,500 acres were cultivated, and the steps to be taken to increase it in time of war were first considered in 1938. The Committee, in the course of its evidence, uncovered a history of lack of information, experiment, long-term planning, liaison and co-operation in almost all aspects of the industry. The main controversy centres on whether flax should be retted (or rotted in water) before scutching (separating the wood from the fibre), or scutched green. It is agreed that retted flax is better, but green scutching is adequate for a number of purposes. The former is a highly skilled craft, and was practically unknown in this country; it has other disadvantages, such as the problems raised in the disposal of the effluent. The decision in favour of green flax was, however, taken with insufficient data. There seems to have been a prejudice against retting and in favour of green flax, which is well illustrated by the following quotation from the Report:

The official insistence on the necessity of much experiment before embarking upon retting seems inconsistent when compared with the readiness to adopt the almost unknown and untried process of green scutching in 1939 and 1940.

Nevertheless, the Committee felt, after its investigations, that the decision to concentrate on green flax was justified in 1939. It is considered that when supplies of retted flax from Belgium were lost, efforts should then have been made to produce some in this country. Instead, it was decided to expand the production of green flax, and preliminary work for retting was begun very late in 1942, so that "in the result, over two years have been wasted." Criticism is directed against the organisation of the Home Flax Production Department, partly on the score that its technical knowledge is deficient, and that fullest advantage was not taken of expert advice. Throughout the hearing of evidence, "it was rare for any two witnesses to agree," and liaison between interested departments seems to have been weak. On many of the matters referred to an improvement has been observed of late, particularly in co-operation. The Committee makes four recommendations: that retting should be adopted without delay where it is possible; that fieldmen should not be called up; that all factories should be inspected, and a report made to the Minister of Supply; and that a reorganisation of the Home Flax Production Department of the Ministry of Supply should be carried out forthwith.

New Tea Agreement

On Monday of last week the International Tea Committee, which is administering the tea scheme, decided to maintain the export quotas for the year ending March 31, 1944, unchanged at 125 per cent of the standard export quantities. This decision means that exports will continue unrestricted, but as the Dutch East Indies, one of the three signatory countries of the scheme (the two others are British-India and Ceylon), is at present occupied by Japan, it is of no more than theoretical interest. In fact, tea supplies are short; last autumn the Combined Food Board had to introduce a tea pooling scheme (discussed in *The Economist* on September 26, 1942) to secure a fair distribution of supplies. Nevertheless, Monday's quota decision is not devoid of special interest. The last international tea agreement (the second of its kind since the introduction of

tea export control on April 1, 1933), which had been in force since April 1, 1938, expired on March 31st; the fixing of quotas for the next twelve months thus indicates that a new agreement has been concluded. The official text of the new agreement is not yet available, but it is understood that it will run for the duration of the war and two years thereafter, and that it does not embody any fundamental changes. The extension of the agreement had been regarded as certain for many months past, and its prolongation until two years after the termination of hostilities had been recommended by the International Tea Committee at the end of last year. The prolongation of the agreement without any significant changes has caused some surprise. Unlike the wheat, sugar, rubber and tin control agreements, the tea scheme has never been a Government scheme. The first two tea agreements (and now the third) had been concluded between the main tea planters' associations of British India, Ceylon and the Dutch East Indies. True, they required official sanction, and the Governments of the three chief tea exporting countries have supplemented them by Acts and Ordinances, and are appointing the members of the International Tea Committee. But as for four-fifths of these appointments the approval of the planters' associations is required, the scheme remains largely a producers' scheme. Have the negotiations designed to transform the tea agreement into a Government scheme been suspended or ended in failure?

Engineering Wages Award

It is unfortunate that the very involved award of the National Arbitration Tribunal in the engineering wages dispute should have been issued with such speed that the press had no time to predigest it, and the parties to the award no opportunity to explain it to their members. As a result a certain amount of confusion has arisen, leading to considerable dissatisfaction, and even, in some cases, to stoppages of work. Mr H. N. Harrison, in his presidential address to the Confederation of Shipbuilding and Engineering Unions this week, expressed his "disgust" at the award, which he said did less than justice to the workers' claim, and was no better than that which the employers had offered. But while it is easy to understand the disappointment of the engineering workers who are not affected by the award, it should be remembered that the unions had voluntarily taken the claim to arbitration, and had bound themselves to accept the Tribunal's decision, whether they liked it or not. It would indeed make a mockery of arbitration if the Tribunal felt itself obliged, in order to try and please everybody, to award more than the employers had offered and less than the workers had claimed. The engineers' claim, which was presented last November by the 40 unions of the joint engineering trades, was for an all-round increase of 11s. per week on base rates; an addition of 33½ per cent on base rates for all plain time workers; and a restoration of pre-1931 conditions in regard to overtime, night shift and Sunday work. The employers in January replied that they could not accept the demand for an all-round increase, since engineering workers were already the highest paid section of industry, nor would they concede the restoration of pre-1931 conditions, but they were prepared to iron out sectional differences and adjust anomalies. They offered to transfer 20s. of the existing national bonus from the bonus to the district base rate, and to increase the rates of plain time-workers by 6s.

The Tribunal in its award has substantially adopted the employers' proposals. It has transferred 20s. of the national bonus to the district base rate, and gives plain time-workers an extra 6s. per week. It is more generous than the employers, in that it sets the piece-worker's premium at 27½ per cent, an addition of 2½ per cent over the existing premium of 25 per cent laid down in the 1922 Agreement, as adjusted in 1931, against the unions' claim for 33½ per cent. This means that a piece-worker of average ability on a basic rate of 46s. should be able to earn 27½ per cent on the consolidated rate of 66s.; if he is already earning more than the 27½ per cent he will not receive any addition. The Tribunal's award provides that where time-workers are receiving lieu rates, compensatory or other bonuses or merit rates commonly applied (as opposed to individual merit rates), which bring their earnings above the district rates, the 6s. advance would be reduced *pro tanto*. The number of workers receiving such compensatory bonus schemes seems to be larger

(Continued on page 480)

THE PRUDENTIAL ASSURANCE COMPANY, LIMITED

HIGH STANDARD OF EFFICIENCY MAINTAINED

BEVERIDGE PROPOSALS ANALYSED

SIR GEORGE BARSTOW'S REVIEW

The ninety-fourth annual general meeting of the Prudential Assurance Company, Limited, was held on Thursday, the 1st instant, at 142, Holborn Bars, London, E.C.1. Sir George L. Barstow, K.C.B., chairman of the company, presided, and after the passing of a resolution expressing sympathy with the families of those members of the staff who have fallen in their country's cause, the chairman said: Ladies and Gentlemen,—The ninety-fourth annual report of the directors is already in your hands, and I propose, with your consent, to take it as read.

Owing to the need for economy in the use of paper, it was decided this year not to print and circulate the remarks which I am now about to make.

The company's operations during 1942 were beset with difficulties similar to those with which we had to contend in the previous war years. Aided, however, by the goodwill and co-operation of the public, our staff again succeeded in maintaining our services at a high standard of efficiency. This is a considerable achievement in view of the very large and increasing proportion of our permanent staff on National Service.

At the outbreak of war our permanent male staff in this country numbered 18,473, of whom over 60 per cent. are now absent on National Service, 3 per cent. are temporarily deferred and 2 per cent. awaiting call up. Those of the remainder who are still with us consist of men over age 41 or who are otherwise ineligible for National Service. The proportion of our overseas staff serving in the Forces is also considerable. I think we can claim that the Man-Power Committee set up under Lord Kennet was favourably impressed by our figures, and the company has established the Joint Committee which the Kennet Report recommended should be set up to make suggestions and to consider ways and means whereby even more staff might be released for National Service.

WAR CLAIMS PAID

Up to the end of 1942 the amount paid by the company due to war casualties, including civilians who lost their lives in air raids, exceeded two and a quarter million pounds. Over one million pounds of this amount represented payments under pre-war life assurance policies which contained a clause restricting the amount payable in the event of death from war service to the return of the premiums paid. As the shareholders are aware, the directors, at the beginning of the war, voluntarily suspended the operation of that clause until further notice, with the result that, apart from a few exceptional cases, the full sum assured and bonuses under such pre-war policies continue to be payable on death from war service.

As an illustration of the national character of the Prudential business, I may inform you that we have paid claims in respect of more than one in three of all the civilian air raid deaths which have occurred in this country.

THE BEVERIDGE REPORT

The Beveridge Committee was appointed in the summer of 1941 to conduct a comprehensive survey of existing national schemes of social insurance and allied services, and the terms of reference were extended in January, 1942, to enable the Committee to consider the inclusion of a death benefit. The Prudential was invited

to prepare a memorandum which was duly submitted and later supplemented by oral evidence given by our officials in regard to the activities both of the company and of the four Prudential Approved Societies. The company's memorandum was published with other memoranda in the Supplement to the Report.

The Report, which was issued in December, 1942, may be described briefly as a series of proposals directed to the abolition of want by raising the various allowances payable under existing State schemes during sickness, unemployment and old age to the full level of subsistence and by including allowances for children. The Report also recommends a complete medical, surgical, hospital and rehabilitation service, and certain grants such as marriage and funeral benefits, the whole scheme to be financed partly by compulsory contributions from employers and insured persons and partly by taxation.

It appears to be taken for granted by a number of people that insurance companies, particularly those which transact industrial assurance business, are opposed to the social ideals which inspired the Beveridge Report. I believe this to have no foundation in fact, and, speaking for the Prudential, I say most emphatically that it is far from being the case. We have the greater reason to be sympathetic with the declared object of the report in that so much of our work lies among the industrial classes. At the same time we recognise that the principles of financial prudence make it necessary to consider the Beveridge proposals in conjunction with other problems of the post-war situation. That proposals involving substantial benefits have to be paid for by large contributions is a self-evident proposition which is too often forgotten. Happily the economic and financial problems involved are outside our province.

But there are certain proposals in which we are directly concerned and which demand close scrutiny on our part, none of which, however, is vital to the scheme as a whole; in particular, the proposal to set up an Industrial Assurance Board with a statutory monopoly of the business of transacting Industrial Assurance through collectors; the inclusion of a funeral grant in the social insurance scheme; the proposal for the abolition of approved societies under the National Health Insurance Act; and the proposed removal of workmen's compensation business from the insurance companies and mutual organisations.

SET-BACK TO PRIVATE ENTERPRISE

Of these four proposals I must say that the first (which the author of the Report himself admits is non-essential) threatens our whole organisation both at home and overseas. If adopted it would, I believe, undermine confidence abroad in British insurance generally and result in a severe set-back to the cause of private enterprise as a whole. It amounts to a virtual nationalisation of industrial assurance and possibly of a very large proportion of ordinary life assurance. The second, the grant of funeral or death benefit, appears to us to be wholly redundant, as the bulk of the population to whom this benefit would apply is, as the Report admits, already insured. The third, i.e., the abolition of approved societies, seems to us unnecessary; whilst as to the fourth, the administration of workmen's compensation,

with all its difficulties and technicalities, is being well handled by the existing organisations.

Some of the remaining proposals would be certain to affect the company indirectly and in some instances prejudicially; nevertheless, the Prudential welcomes proposals designed to lead to a permanent betterment of the position of the industrial classes.

GOVERNMENT'S DECISIONS

In the debate in the House of Commons on February 16th to 18th, H.M. Government announced their provisional decisions on the Report. Those decisions, in so far as they relate to the four proposals directly affecting the Prudential, to which reference has been made, are as follows:—

Firstly the proposed Industrial Assurance Board is rejected, at least "for the time being" in Mr Morrison's words. Though I suppose nothing in politics is permanent, I trust this will not become a political issue and that it will be recognised that, like all other forms of voluntary insurance, industrial assurance is a business the development of which is best left to private enterprise.

Secondly the inclusion of a funeral benefit or death grant in the social insurance scheme is accepted in principle by the Government, but Sir John Anderson stated that "The amount of the benefit will require further consideration, as will also the transitional arrangements needed to overcome the many technical difficulties arising from the existing volume of voluntary insurance."

Thirdly, as regards approved societies, Mr Morrison stated that "it looks as though they will inevitably have to be superseded, but the door is open for the consideration of agency proposals."

Fourthly, the Government have reserved judgment on the matter of workmen's compensation and I do not propose to refer further to that aspect of the matter.

POLICYHOLDERS' INTERESTS

It was also stated by Mr Morrison that the Government, in the course of framing their recommendations to Parliament, would enter into consultation with all sorts of people, including "vested interests." In our case vested interests comprise millions of policyholders, holding between them some 30 million policies, as well as the shareholders and staff, and if and when we are consulted you may rely on our representing the case for the Prudential with due regard to the interests of all three parties. It should be borne in mind that our policyholders and staff are not restricted to this country, but are spread over the five continents.

I may also remind you that if we are a vested interest, it is because nearly a hundred years ago, and long before State Social Insurance was introduced, the original founders of this company undertook a particular branch of social activity. They were business men actuated largely by business motives, and their business has developed on such lines that I doubt whether even the State could succeed in providing at so low a rate of expense such efficient, sympathetic and flexible service.

That is as far as I can take the Beveridge Report in this address.

I will now deal with the results of the company's operations during 1942, which are given in the 94th annual report of the directors.

ORDINARY BRANCH

In the ordinary branch the premiums were £14,972,825, an increase of £374,434. The net new sums assured were £25,457,702, including £8,580,107 written by our overseas branches. The death claims were £2,797,125 and the claims under matured endowments amounted to £9,323,731.

INDUSTRIAL BRANCH

In the industrial branch the premiums were £26,275,143 as against £24,858,403 in the previous year. The death claims

were £8,000,068 and the claims by maturity of endowment were £7,006,431.

The expenses for 1942 amounted to 25.77 per cent. of the premiums, an increase of 39.

GENERAL BRANCH

In spite of a sharp decline in the premium income of the motor vehicle account, the net revenue premiums in the general branch amounted to £2,721,135, an increase of £100,484 as compared with 1941 figures. A substantial part of the increase was in respect of marine insurance. In consequence of the further restrictions imposed in July last on the use of petrol many private cars and motor-cycles have been laid up, and in view of the limited use permissible in other cases, premiums under all private car and most motor-cycle policies have been reduced by 20 per cent. In the circumstances a heavy reduction in income from motor vehicle insurance was inevitable.

Our accident business, which comprises personal accident and sickness, employer's liability, motor and some items of the miscellaneous section, shows a reduction in the loss ratio. Although in the fire section the ratio is slightly higher than that for the previous year, the claims' experience generally continues to be favourable.

The conditions overseas to which I referred last year have continued to be difficult, but again I am able to report satisfactory progress on the part of our branches, a feature which redounds to the credit of the staff concerned.

The company has continued to act as an agent to the Board of Trade in connection with the War Risks Insurance Act, 1939, and the War Damage Act, 1941.

With regard to our United States subsidiary (the Prudential Insurance Company of Great Britain located in New York), the business has again run on satisfactory lines.

VALUATION SURPLUS

The bases employed in calculating the liabilities of the company are set out in the valuation report of the joint actuaries.

ORDINARY BRANCH

In the ordinary branch the basis for the valuation of life assurance policies issued in the United Kingdom has been strengthened by the employment of a rate of interest of 2½ per cent. combined with the A. 1924-29 ultimate table of mortality, and an additional reserve of loading has been made in respect of these assurances.

The surplus in the ordinary branch, including £708,216 brought forward, is £2,085,885, of which £500,000 has been transferred to the investment reserve fund, an increase of £250,000 as compared with the amount transferred last year. A sum of £250,000 has been taken from the investment reserve fund and applied to writing down investments in this branch. The investment reserve fund has therefore been increased by a net amount of £250,000 and now stands at £3,500,000. £1,025,000 has again been transferred to the ordinary branch contingency fund. The surplus is £119,553 less than for 1941, but the valuation basis has been strengthened.

The board has decided to grant a bonus on claims on participating policies arising by death or maturity of endowment during 1943 at the rate of £1 per cent. for each December 31st on which such policies were in force subsequent to December 31, 1939.

INDUSTRIAL BRANCH

The surplus in the Industrial Branch, including £336,085 brought forward, is £4,584,273, as compared with £4,049,418 in 1941. £850,000 has been transferred to the investment reserve fund, an increase of £350,000 over the sum so transferred last year. A sum of £350,000 has been taken from the investment reserve fund and applied to writing down investments in this branch. The investment reserve fund has therefore been increased by a net amount of £500,000 and now stands at

£4,500,000. £2,500,000 has again been transferred to the industrial branch contingency fund.

We have decided to pay in the industrial branch a bonus on claims arising by death or maturity of endowment during 1943 at the rate of 10s. per £100 sum assured on the participating policies issued by the Prudential for each December 31st on which the policy was in force subsequent to December 31, 1939, provided that one full year's premiums have been paid.

GENERAL BRANCH

As stated in the directors' report the method of dealing with taxation in the various general branch accounts has been changed. The previous practice was to show in each revenue account the amount of tax deducted at source from interest and dividends and this has on occasion tended to produce anomalous results. The method now adopted charges the tax appropriate to the trading profit in each account.

Owing to a change in the basis of assessment to tax in connection with our American subsidiary involving an increase in liability for tax for the year 1941 it has been necessary to make a further provision of £51,250 as shown in the profit and loss account.

The amount provided for tax in the 1942 accounts is estimated to cover the full liability in respect of that year's profits and includes an appropriate sum for tax liability in respect of the American subsidiary on the new basis.

The surplus in the general branch, including £200,968 brought forward, is £340,971. If the change in the treatment of income tax in the accounts of this branch were applied to 1941 the comparable figure for that year would be £394,301. The sum of £40,000 has been transferred to the investment reserve fund to replace a similar amount which has been applied to writing down investments in this branch. £15,000 has been added to the additional reserve fund which now stands at £1,260,000.

Shareholders will no doubt expect me to comment on the reduction in the dividend on the "B" shares this year from 2s. to 1s. 6d. per share, both free of tax. In this connection it is necessary to remind shareholders of the increasing burden of taxation which we have been called upon to bear in recent years both in this country and overseas. Thus, although the gross profits continue to be maintained at a satisfactory level, the net profits available after providing for taxation have shown a decreasing tendency. This was aggravated in 1942 by the change to which I have just referred in the method of assessment to United Kingdom tax of the profits of our American subsidiary.

Your directors, after giving the matter their most careful consideration, came to the conclusion that in the prevailing conditions of taxation they were fully justified in asking the shareholders to accept a reduction in the dividend. The gross value of the reduced dividend is still greater than that of any dividend paid prior to 1939.

ALL BRANCHES, DETAILS OF DISPOSAL OF SURPLUS

Details of the disposal of the surplus of the three branches and of the bonus declarations for both the life branches are contained in the directors' report.

APPROVED SOCIETIES

The membership of our approved societies has increased during 1942, and at the end of that year exceeded 4,600,000.

During 1942 the sum of £5,198,387 was paid in cash benefits, including additional cash benefits provided out of surplus disclosed by the valuation of the societies. Of the above amount, £4,802,192 was in respect of sickness and disablement benefits and £396,195 was in respect of maternity benefits.

In addition to the above sum, £400,532 was expended on additional treatment benefits provided out of the valuation sur-

plus, of which £326,647 was paid for dental treatment benefit.

INVESTMENTS

The investment of our funds during 1942 proceeded on lines very similar to those to which I referred in my statement last year. In accordance with our practice of giving full support to the Government's programme of war finance, the whole of the increase in our funds in this country has been used in subscriptions to British Government securities. Our holdings of British Government securities now exceed £151 millions, an increase of more than £25 millions over the corresponding figure of last year. Our total assets have grown by £13 millions, from £375 millions to £388 millions, and the percentage of British Government securities has thus increased from 33 per cent. to nearly 39 per cent. From these figures it is apparent that not only has the growth in our funds been invested at the low rates now prevailing on British Government securities, but that the proceeds of requisitioning or repayment of some £12 millions of other assets during the year have been similarly applied, involving the acceptance of these low rates of interest for a considerable term of years.

I may add that, including the contributions already made this year to the "Wings for Victory" campaign, our total subscription to war loans from the beginning of hostilities to the present date exceeds £100 millions.

In addition to the Home issues, we have continued to support the War Loans issued by the Governments of India and the Dominions from our funds accumulating for investment in respect of our life and other insurance business in those countries. Our total subscriptions to such loans amount to £2,250,000.

INTEREST RATE ON FUNDS

In view of the foregoing remarks, shareholders may find it difficult to understand how it comes about that the net rates of interest on the life funds in both the industrial and ordinary branches show marked improvements over those of the previous year. In the industrial branch the net rate of interest has improved to £3 11s. 8d. per cent., a gain of 4s. 8d. per cent., and in the ordinary branch to £3 11s. 6d. per cent., a gain of 5s. per cent.

These improvements arise in the main from the basis of our assessment to income tax and from the conservative method of dealing with taxation in our accounts. We are assessed in the life branches on the basis of interest less expenses, and whereas we suffer tax on our interest receipts, largely by deduction, the rebates of tax which we are allowed, mainly in respect of expenses, are not received until the following year. When the standard rate of tax is increased, as in 1941, the higher rate has immediate effect on a large part of our interest income, whilst the tax rebates received that year are calculated at the lower rate of the previous year with the result that the rate of interest earned is temporarily reduced.

No alteration was made in the rate of tax in last year's budget so that in 1942 both tax payments and rebates were made at the same rate, and in consequence the net amount of tax borne was less than in 1941. The gross rate of interest on the combined life funds has in fact fallen slightly and, as already explained, this tendency must be expected to continue in view of the increasing proportion of our assets which is invested in British Government securities.

TREASURY BAN RELAXED

A further factor adversely influencing our interest income has been the relaxation by the Treasury of the restrictions on new issues which were primarily imposed to facilitate the war-time financial operations of the Government. The restrictions have

been relaxed to the extent of permitting public utility and industrial companies to convert their debentures to a lower interest basis, and in consequence those companies which are fortunate enough to have an option to repay their debentures at the present time are enabled to secure an advantage by making fresh debenture issues on terms which would in some cases be unobtainable but for the severe restrictions on the new issue market.

The market value of our British Stock Exchange securities has improved materially during the past year and I am happy to say that in our opinion the assets of the company taken as a whole are fully of the value stated in the balance-sheet. We have taken our properties and investments in enemy and enemy-occupied countries at what we consider to be a conservative value but it is impossible to determine their value accurately. In view of this and of the abnormal times we have decided not to change the certificate in the balance-sheet as to the value of the company's assets from the form in which it has been given during the war.

The distribution of our Stock Exchange securities between the various classes is:—

Government and municipal...	60 per cent.
Debentures and bonds	16 " "
Guaranteed and preference stocks	10 " "
Ordinary stocks	14 " "

The geographical analysis of our assets as a whole is now as follows:—

United Kingdom	87 per cent.
Dominion, Indian and Colonial	8 " "
Foreign	5 " "

ELECTION OF DIRECTOR

Mr Percy Crump, O.B.E., F.I.A., entered the service of the company in 1895, became a Fellow of the Institute of Actuaries in 1909, was made assistant secretary in 1925 and joint secretary in 1931. He has thus served the company for nearly 48 years.

On his retirement at December 31, 1942, he was given a seat on the board in order that the company should retain the benefit of his long experience of financial matters. He now offers himself for election.

RETIREMENT

Mr C. C. H. Drake, F.I.A., who was appointed joint actuary in 1935, after having been assistant actuary for some years, retired at the end of last month after 43 years with the company. We gratefully record the valuable service to the company which his qualifications and his long and varied experience of our business both at home and overseas enabled him to render.

APPOINTMENTS

The following managerial appointments have been made by the directors:—

Mr Leslie Brown, F.I.A., to be joint secretary.

Mr W. F. Gardner, F.I.A., to be joint actuary.

Mr W. E. Burge and Mr R. S. Thorp to be assistant managers.

STAFF

It is not an easy matter to find appropriate words adequately to express my thanks to all grades of our staff, both home and overseas, for the devotion and zeal which they have applied to their tasks during the past year.

Our warm appreciation is always extended to them in normal times, but in these war years of constantly increasing difficulties the manner in which the members of our staff have adapted themselves to continually changing conditions calls for the highest praise.

I am sure you will wholeheartedly endorse this expression of thanks to the whole of the permanent and temporary staff of the company, including nearly 14,000

women who have served with such loyalty and enthusiasm during 1942.

It is a matter of great pride to us all that a number of our men on national service have received awards for gallantry and devotion to duty.

To all members of the staff who are serving with the Forces, including those who are prisoners of war, we wish a safe and speedy return.

The report and accounts were adopted. Sir Joseph Burn, K.B.E., F.I.A., F.S.I., was reappointed president. Mr P. C. Crump, O.B.E., F.I.A., was elected a director, and the retiring directors, Mr Ernest Dewey, Lieut.-Colonel P. L. Reid, O.B.E., Mr H. H. Moseley, B.C.L., and Sir George Stuart Robertson, K.C., were re-elected. Major L. W. Bird, D.S.O., O.B.E., and Sir John S. P. Mellor, Bart, M.P., were reappointed auditors.

Mr Ernest Dewey, deputy chairman, paid tribute to the manner in which the management of the company and its indoor and outdoor staff at home and abroad had performed their duties in the trying conditions of the present emergency. Mr F. W. Morgan, M.C., general manager, suitably responded.

After a vote of thanks to the chairman and directors the meeting terminated.

ANGLO-FRENCH EXPLORATION COMPANY, LIMITED

The ordinary general meeting of the Anglo-French Exploration Company, Limited, was held, on the 7th instant, in London, Mr F. A. Robinson (the chairman) presiding.

The following is an extract from the chairman's statement circulated with the report and accounts: Our liquid position has still further improved, net cash assets at December 31, 1942, amounting to £141,900 against £92,331 in 1941. The profit and loss account shows a reduction of £12,766 in dividend earnings, of which all but £1,500 is accounted for by the loss of income from our tin and other interests, which have ceased production on account of Japanese invasion. We have been able to offset this loss in part by an increase in our profit from realisations, with the result that our net earnings amount to £41,753, compared with £47,452 last year. We are again able to recommend a dividend of 5 per cent. and to carry forward £22,451 against £21,146 brought in from 1941. The report was unanimously adopted.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

The one hundred and second annual meeting of the Wesleyan and General Assurance Society was held, on the 6th instant, in Birmingham.

Mr Arthur L. Hunt, F.S.S., F.C.I.I. (the chairman), said that in 1942 in the ordinary department 8,401 policies had been issued assuring £1,317,000. In the industrial department 106,977 policies were issued assuring £2,837,000. The number of death claims had been remarkably light, being little over four-fifths of the number which would have been expected in pre-war years. The total claims and surrender values paid amounted to £1,430,000, making a total of over £34,000,000 paid since the establishment of the Society. Relatively few policies were lapsed and the amount paid out in surrender values was very small indeed.

With regard to bonuses, in the ordinary department additions would be made at the rate of £2 per cent. to with-profit policies becoming claims by death or maturity during 1943, being £1 in respect of each of the years 1941 and 1942. In the industrial department, additions would be made on the same scale as previously to the sums payable on claims by death or maturity on or before April 3, 1944.

The assets stood at £18,901,000, and the premium income totalled £2,439,000. The report was unanimously adopted.

THE MATADOR LAND AND CATTLE COMPANY, LIMITED

INCREASED PROFITS

The sixty-first annual general meeting of the company was held within the registered office, 93 Commercial Street, Dundee, on the 2nd instant, Mr W. D. Macdougall presiding.

The chairman said:—Gentlemen,—It is now my duty to submit the report and accounts for the year to December 31st last.

PROFIT AND LOSS ACCOUNT

One of the most ancient of our proverbs is that "Good wine needs no bush," and these accounts need little advocacy from me to commend them to your adoption. The course of our revenue in recent years has been one of steady progress. A profit of £19,770 for 1938 rose gradually to £89,873 for 1941, and for 1942 we now show £95,555. Perhaps the feature in our report which will interest you most is that on these figures we have felt justified in recommending an increase in the bonus for the year from 2½ per cent. to 5 per cent., making, with our basic dividend of 10 per cent., a total distribution of 15 per cent. In making this recommendation we are in no way departing from what I have said in past years as to our policy of dividend stability, but the board feel it their duty to hold the balance evenly between the interests of the shareholders of today and those of the future and, after careful consideration, have resolved without any doubt to come to the decision indicated.

BALANCE SHEET

Implicit in that decision, and supporting it, is of course the great and increasing strength of the company's balance-sheet. In the accounts before you, against a capital of £200,000, we show reserves (excluding taxation reserve) amounting to £280,584, an increase of £36,617 on the year, while on the assets side of the balance-sheet the low values at which our land and our herd are entered are more striking than ever when set against today's prices.

RANGE AND HERD

The branding of our calves this year has presented exceptional difficulties through the shortage of skilled labour. Mr Mackenzie cables that the tally has at last been completed at 14,874 head. However, branded or not, the calves are there and while the actual number may not reach the highest level of recent years, we have just received a letter from Mr Mackenzie in which he indicates that looking to the condition of the cows he is hopeful of a big calf crop for 1943. As regards the current year's operations generally, I have nothing unfavourable to report.

OIL PROSPECTS

The testing of our land for oil by a company of high standing proceeds. So far, no oil has been found, but we shall at least eventually have had both ranches thoroughly tested, and that free of all expense to ourselves.

AMERICAN DIRECTORS AND STAFF

In concluding I must not omit once more to present our acknowledgments to Mr Mackenzie and his staff. The report and accounts before you and the statement I have made present and in a measure explain the results, but it is impossible that they should do justice to the daily work and skill involved in producing these results.

I have also to make acknowledgment to our American colleague, Mr Drought, for the keen and helpful interest he takes in the company's affairs.

MOTION

The report and accounts were approved of and adopted, and the balance at the credit of profit and loss account applied in the manner recommended by the directors.

BANK OF SCOTLAND

VERY SATISFACTORY RESULTS

STRONG LIQUID POSITION

LORD ELPHINSTONE'S ADDRESS

The annual general meeting of the proprietors of the Bank of Scotland was held within the head office, Edinburgh, on the 6th instant. The Right Honourable Lord Elphinstone, K.T., Governor of the Bank, presided.

In submitting the directors' report, the chairman said: The directors much regret the loss by death during the year of The Master of Polwarth. He has given valuable services since he joined the board in 1939. They also regret the resignation, in July last, on account of the state of his health, of Mr H. A. Jamieson, who had been a member of the board since 1922, and I am sure the proprietors will join with the board in extending to him their good wishes.

To fill one of the vacancies on the board, the directors invited Mr W. G. C. Hanna, O.B.E., C.A., to be an ordinary director.

BANK'S BALANCE SHEET

Our balance-sheet figures continue to reflect war-time tendencies. Deposits have increased by £10,235,000 to £60,829,000. This very substantial increase must, however, be regarded as exceptional, as certain public accounts which carry considerable balances happen to be maintained with us this year in annual rotation. A further expansion of £1,476,000 has taken place in our note circulation, bringing it up to £7,415,000, or more than double the pre-war figure. The acceleration in Government expenditure for war purposes is no doubt largely responsible for the progressive increase in these figures.

When I referred last year to the mounting figures of our note circulation I urged that surplus notes in the hands of the public should be returned by the holders to their bank accounts so that they might be made available as deposits for lending to the Government. I would again make this appeal to those who may be inclined to keep by them a greater quantity of cash than is really necessary.

The fluctuations in the items drafts issued and acceptances, although considerable, have no special significance.

LIQUID ASSETS

The liquid position of the bank has been fully maintained throughout the year. Assets in cash, bank balances, cheques *in transitu*, and money at call and short notice amount to £19,847,000, or 27.4 per cent. of our liabilities to the public. Bills discounted (including £350,000 of Treasury bills) account for £550,000. Our holding of Treasury deposit receipts has increased to £7,500,000, while our investments total £36,765,000, bringing our liquid resources up to £64,663,000, which is equal to 89.4 per cent. of our public liabilities. These ratios are somewhat higher than those usually associated with banking practice in ordinary times, and they indicate the extent to which the normal lending business of the banks has been affected by prevailing circumstances.

It will be seen that we are in a favourable position to meet all reasonable requests from our customers for legitimate banking accommodation.

ADVANCES

Our advances show a further decline of over £600,000 to £8,430,000. This is regrettable but not surprising when one considers that the borrowing needs of the commercial community are so greatly reduced by reason of the restricted supply

of goods of all kinds. We continue to lend liberally for the production of war supplies, food, etc., but to an increasing extent the financing of war industry is being taken care of by the Government departments.

All known bad and doubtful debts have been fully provided for.

RESULTS FOR THE YEAR

The increase of £5,479 in our nett profits is modest in relation to the expansion that has taken place in our resources, but it will be appreciated that upon a large proportion of our funds a very low rate of interest has been earned. Operating costs, too, have increased owing to the release of more men to the Services. We continue to pay the salaries of all our staff in the Forces less the amount of Service pay received by them. Last December—in recognition of the extra burden so cheerfully borne by the staff remaining with us—we paid a bonus of 6 per cent. on salaries.

The nett profits are	£238,124
Add: The balance from last year	156,217
	394,341
This has been dealt with as follows:—	
Applied to reserve for contingencies	£75,000
Transferred to trustees for officers' pension fund	30,000
Dividend at 11 per cent. per annum, less income tax	132,000
	237,000

Leaving to be carried forward £157,341

I think you will agree that these results are very satisfactory.

CRITICISMS ANSWERED

Recently the banks have been the target of renewed criticism and I am pleased to note that the challenge has been taken up by bank chairmen. It is well to remind the public that besides providing essential services the banks perform a vital function in the nation's financial structure.

The demands made upon the banking system have greatly increased in war time. Much additional work is involved in the payment of wages in industry, and of the men and women in the Services and in those of our Allies at present in this country. The expansion in the note circulation is in itself a measure of the increase in the amount of cash that is being handled by bank tellers. Clothing coupon banking accounts—instituted at the request of the Board of Trade in May, 1942—placed an extra burden upon the banks, but the acceptance of this additional duty no doubt avoided a large increase in the staff of the Government department concerned.

The smooth mobilisation of the money resources of the people in the service of the nation has been and is being effected with the help of the banks, whose share in this important process is perhaps not as fully realised as it should be by the general public.

That these functions and services are carried through efficiently and expeditiously is surely a tribute to our highly organised banking institutions which have not only stood the test of time (in our own case for 248 years) but have also contributed in no small measure to our country's reputation for stability and integrity.

THE KENNET COMMITTEE

Last year the Government set up a committee under the chairmanship of Lord Kennet to ascertain what measures could be taken to secure the greatest possible release of man-power in banking and allied businesses. The banks, acting in concert, had already taken steps to meet the many problems involved in the release of staffs, and since the report was issued further adjustments have been and still are being made. Numerous branch offices have been closed, and many normal services restricted, but it is believed that the public will accept any resulting inconveniences in the right spirit.

BANK STAFF

Of our permanent staff of 1,261—657 have now been released for service with H.M. Forces, while our temporary female staff has also been depleted by withdrawals for the women's services or for industry. Subject to a time lag in the calling-up of released staff, the banks are now operating with 85 per cent. of their pre-war total of employees, and many of these are, of course, only partly trained. It will be readily understood, therefore, that the maintenance of essential banking services places a severe strain upon those who are left, but we are happy to think that, all things considered, the business of the bank continues to be carried on efficiently and to the satisfaction of our customers. On behalf of the court of directors I would again express our appreciation of the excellent services rendered during the past year—frequently under difficult circumstances—by the executive, managers, agents and staff alike. We are indebted to all of them, and not least to our temporary female staff, most of whom are proving to be adaptable and highly efficient.

It is with sincere regret that we record the death of a further five members of our staff on war service, and we extend our sympathy to their bereaved relatives and friends. Our thoughts also go out to those who have the misfortune to be prisoners of war.

To all members of our staff serving their country at home or abroad or on the high seas we send from this meeting cordial greetings and our good wishes for their early and safe return.

THE TREASURERSHIP

As stated in the report, Mr J. W. Macfarlane, who had been treasurer of the bank since October, 1938, and had given 48 years of most valuable service, retired at the end of May. The board accepted his resignation with sincere regret, and their good wishes go with Mr Macfarlane in his retirement.

To succeed Mr Macfarlane as treasurer the board appointed Mr J. B. Crawford, the secretary of the bank. Mr A. A. Gunn, formerly assistant secretary and superintendent of branches, has been appointed to succeed Mr Crawford as secretary.

DIVIDEND

I now have pleasure in moving that the report and balance-sheet as submitted be adopted, and that a dividend for the half-year at the rate of 12 per cent. per annum, less income tax, be now declared payable on April 15th, making with the dividend paid in October last 11 per cent. for the year, less income tax, the same as for the previous year.

The motion was agreed to.

Lord Elphinstone, K.T., and Lord Henry Scott were unanimously re-elected Governor and Deputy Governor respectively for the current year.

Mr S. Crawford Hogarth, Mr Robert McCosh and Mr W. G. C. Hanna were re-elected ordinary directors.

Mr H. L. Usher, C.A., and Mr R. Arthur Morrison, C.A., were reappointed to conduct the audit of the bank's books for the current year, and a vote of thanks to the chairman terminated the meeting.

RUGBY PORTLAND CEMENT COMPANY, LIMITED

A YEAR OF SUCCESSFUL SERVICE

PLANNING, PROFITS AND PLAIN THINKING

MR HALFORD REDDISH'S SPEECH

The annual general meeting of The Rugby Portland Cement Company, Limited, will be held on the 22nd instant.

The speech of the chairman, Mr Halford W. L. Reddish, will be as follows: As the report and accounts have been in your hands for the usual period I assume with your permission that we may take them as read.

There is nothing in the accounts on which in present circumstances I can usefully comment, but I think you will regard the balance-sheet which we have placed before you as satisfactory.

You will see that the trading profit for the year, after providing for taxation and contingencies, and for adjustments under the C.M.F. Pooling Scheme brought into being at the suggestion of the Ministry of Works to deal with certain exceptional circumstances due to the war, amounts to £123,432. The net profit of £69,196 compares with £68,283 for 1941.

We propose to repeat last year's dividend of 7½ per cent. on the ordinary shares, leaving £64,967 to be carried forward, against £60,992 brought in.

It would be idle for me to pretend that in many ways 1942 has not been a year of difficulty, and I should like to pay tribute to those of our staff and workpeople who, realising that the national interest should be paramount in all our lives, have laboured so faithfully and in many cases at no little personal sacrifice to overcome such difficulties as have from time to time arisen.

Although the clouds may appear to have lifted slightly since we met a year ago, we have yet to win the war, and all our efforts must still be directed to this end. Nevertheless, there is today much talk of the economic problems which will face the nation when victory is ours, and I therefore feel that both shareholders and employees may welcome some comment on matters which concern us all. Our shareholders are naturally interested in the conduct of the company on a sound financial basis and in the return which they receive on their capital in the form of dividends—a modest war-time return indeed when we remember that all our ordinary shares have been issued at a premium. Our employees, all of whom are embraced by profit-sharing schemes, are equally interested in the maintenance of the company's profits and the soundness of its finance.

NO FAIRY GODMOTHER

In considering some of the questions which have been in the public mind during recent months, we have first to remember that the state is not a sort of fairy godmother able to produce wealth by waving a magic wand, but merely a collection of individuals; that the national income is really the sum total of the incomes of the individuals making up the state; and that the sums required to be raised by taxation in one form or another for the benefit of all have to be found by those same individuals.

If one may judge by the utterances of some who should know better, there is in many minds no clear understanding of the difference between capital and income. I should like to see every child in every school in the land taught the difference between capital and income. Such knowledge is, in my judgment, necessary, not only for the sound financing of an industrial enterprise, but also for the proper conduct by each individual of his own life; and most certainly it is necessary if we are to consider intelligently the national finances and the economic implications of the various schemes envisaged

for the post-war period. And, in parenthesis, may I suggest that the Government might well set a good example by producing its accounts after the war on a more scientific basis instead of giving us what is little more than a simple summary of cash transactions.

FINANCIAL FACTS AND FICTIONS

To refer more specifically to what I have in mind, it is not uncommonly said that if we are spending fifteen millions a day during the war (that is, when our very survival is at stake) why cannot we spend fifteen millions a day in peace? Now we are meeting only a portion, perhaps half, of our current expenditure out of current income, and to do even that we are cheerfully shouldering a very heavy burden of direct and indirect taxation. What we are not paying for out of current income we are paying for either by realising capital or by borrowing capital sums on which interest has to be paid in the future, and for the repayment of which provision will also have to be made. Every holder of National Savings Certificates, every depositor in the Post Office Savings Bank, has lent his money to the country, and rightly expects to receive interest on it, and in due course to have the capital repaid to him. Secondly, we are not paying today as we should have to in normal times for all our imports. Food, raw materials, and munitions of war are pouring into the country under lease-lend arrangements. In the early days of the war, before those arrangements were made, we realised the capital of many of our foreign investments in order to pay for our necessary imports. That capital has gone. In addition to all this, we are largely living on capital internally, and are restricted, every one of us, in the amount we can spend on personal requirements of every kind. In other words, we have cheerfully given up much for the duration of the war in order that we may the better wage the fight for our own survival and the crusade against the forces of evil.

"YOUR RAILINGS CANNOT BE TAKEN TWICE"

To the man therefore who suggests that war-time expenditure can be maintained by the state in peace-time I would say:—

(a) Are you prepared to accept a continuance of both direct and indirect taxation indefinitely at their present levels?

(b) Are you prepared to continue to save money as at present and to accept the present restrictions on your personal expenditure on food, clothing, comforts, amusements and travel?

(c) Do you seriously suggest that other nations will send us food and raw materials in peace-time without our paying for them?

(d) Can you find any means of consuming capital more than once—for the railings round your front garden cannot be taken twice?

Elementary as these points are, I think it well to state them clearly today, for sound finance is an essential requisite of our rehabilitation after the war; and if we depart from the narrow path of sound finance the least of the many evils which will beset us will be the country's inability to honour its bargain to the millions who have lent it their savings in its hour of need.

You will remember the advice which Mr Micawber gave to David Copperfield:—"Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pounds ought and six, result misery."

That is equally true of an individual, of a few hundred individuals joined together to form what we know as a joint stock company, or of many millions of individuals embraced in a state.

Last year, in connection with the incidence of the excess profits tax, I pointed out that in the main the ordinary shareholders in our industrial companies were not, as is often implied, large and impersonal financial institutions, but the "small men"—the wage-earners who have saved and invested. It is equally true, but not perhaps sufficiently realised, that the majority of our national revenue comes directly or indirectly from the "small man," and that he, too, is the consumer providing the bulk of the nation's internal purchasing power. With this in mind I should like to refer to one aspect of the Beveridge Plan which has so far received comparatively little attention.

THE BASIS OF BEVERIDGE RE-EXAMINED

Apart from its proposed co-ordination of the administration of many of the social services, the Beveridge Plan seeks to do two main things. It seeks to abolish want, an aim which (if what it really means is the abolition of actual need) must meet with the whole-hearted approval of everyone and must clearly stand high among the claims on the national income after the war. Secondly, it seeks to provide by insurance to all members of the community, irrespective of need or desire, certain specific "benefits," the "premiums" for which are to be found partly by the individual concerned and partly by subsidies provided by employers and by the Exchequer.

In so far as the contributions which are levied from trading employers are concerned, clearly in a cumulative form they will ultimately be paid for by the consumer; and in so far as the subsidy found by the Exchequer is concerned, that will in turn be found by the general body of taxpayers, and, as Sir William Beveridge himself has been at great pains to point out, constitutes merely what he politely calls a redistribution of income. Now if it were possible for us to leave out of consideration the export trade—that is, if we as a country were entirely self-supporting in our production of food and raw materials—the position would be comparatively simple. Unfortunately, however, this country is not self-sufficient in food and raw materials, and if we are to exist at all must import large quantities of both from the outside world, and must pay for them, if not in gold, then by the export of goods and services.

STANDARDS OF LIVING

It is well therefore that we should realise that unless and until every country in the world and every type of population in the world has advanced sufficiently to desire a similar standard of living we must do one of two things. Either we must form an economic bloc with other countries having similar aspirations in the way of standards of living, so that together we are self-supporting, or by a state subsidy of some kind (which again means a levy on the general body of taxpayers), we must reduce the cost of our exportable goods sufficiently to enable us to compete in world markets, in order that we may be able to pay for our essential imports of food and of raw materials required both for the manufacture of goods for internal consumption and for re-export. The greatest hope for the future clearly lies in a strong lead being given by the English-speaking peoples—by the British Commonwealth of Nations, the greatest political influence for good which the world has ever seen, together with the United States of America. There, as I see it, lies the world's best hope both in the economic field and in the guarantee of world peace in the future. As other nations are prepared to raise their standards of living and to follow our example in the adoption of enlightened social services, and to accept their share of the obligations of maintaining world

peace, so they should be admitted to the economic bloc which I have described.

WORK THE ONLY WAY TO WEALTH

But let us mark well that the Beveridge Plan intends to effect nothing more than a redistribution of the national income. In itself it does nothing to *increase* the national income—to build up again the wealth accumulated by the work of our forefathers, which has made possible our increasing standards of life in this country and so much of which has been destroyed by two major wars.

And let us face this fact—that national wealth cannot be created nor the national income be increased except by the labour of man, by the work of men's minds, by the work of men's hands. The more a man labours, and receives, as he is fully entitled to do, the due rewards of his labour, the more he is contributing to the national wealth. I do not share the views of some pessimists who seem to think that we must face large-scale unemployment in the post-war years. Apart from many other considerations, the destruction of so much national wealth in the war will in itself make it absolutely necessary for everyone to work harder than ever for very many years to come, unless we are tamely going to accept very substantially reduced standards of living. That is an inescapable fact whether we like it or not. I do not believe that our fellow Britishers, who, in the fiery regeneration of the national character in the last three years, have shown such an example to the world, will fail to rise to the great opportunities which await them in the post-war years. I do not believe that it will be a case of finding work for anybody, but a case of encouraging everyone to realise the fundamental truth that only in good work, whether of brain or brawn, faithfully performed, lies any hope of real happiness in this life.

WHY INCOME TAX?

What then is the justification for any direct tax on income, and particularly on earned income? I venture to suggest that it is the comparative ease of collection which has led succeeding Chancellors to make direct taxes on income the mainstay



CITADEL OF HEALING

Last year at the Christie Hospital 4,864 new patients from all parts of England were examined, 45,223 investigations of patients were carried out and 17 Cancer Diagnostic Clinics maintained at Hospitals over a wide area. Funds are urgently needed for this work and for the extension of research into Cancer, still mankind's great scourge.

CHRISTIE CANCER HOSPITAL
AND
HOLT RADIUM INSTITUTE
WINCHESTER, ENGL.

of their Budgets. Much more logical, and much fairer in its incidence, would be a tax on expenditure, and no better time for the initiation of such a change could be imagined than in the immediate post-war period when the stocks of consumer goods in the country in proportion to the potential demand will be smaller than ever before. A tax paid on new consumer goods at the point where they pass into the hands of the ultimate consumer is surely a practical proposition. In the case of National Savings Certificates we give to every citizen the right to acquire the same limited amount of this very advantageous security. Could not the same principle be adopted in the case of an expenditure tax by freeing the simple necessities of life from all tax, even when necessary by subsidising them, thus placing everyone in the same position? From that point a tax on consumer goods graduated according to the degree of luxury or semi-luxury involved could well be imposed. By the small earned income allowance for income-tax purposes we affect to recognise that there is some virtue in earned income but at the same time we penalise thrift. I should like to see this differentiation disappear in the post-war years as part of a definite plan to abolish as quickly as possible all direct taxes on the income of an individual. Such a system would give encouragement and incentive to everyone to do what in the interest not only of himself but of the whole state is so essential in the post-war years—work hard and be thrifty. And labour would receive its due reward.

THE REMOVAL OF RESTRICTIONS

I am a profound believer in the dignity and worth of what is termed private enterprise—in the right of every man, whatever his station in life, to rise by the merit of his own endeavours. It was the spirit of rugged individualism, not in a selfish sense, but in the sense of adventurous individual enterprise, which made this country great and which will have contributed so largely to our ultimate victory. I do not for one moment believe that the great mass of the people in this country, who are fighting this war for the preservation of their liberty and who expect their centuries-old freedoms restored to them when the war is won, will submit to the widespread regimentation and bureaucratic control which some politicians may seek to impose on them. Some war-time restrictions can well be removed almost as soon as hostilities cease; others will have to remain for some time and perhaps be relaxed gradually over a period of three or four years. But let us be watchful lest any stay longer than is necessary. It would indeed be a tragedy if, after the traditions of centuries, in the days to come, we in England were submerged by a wave of bureaucratic control scarcely distinguishable in its reactions on the lives of everyone of us from a totalitarian regime.

THE FUTURE OF THE INDUSTRY

As far as our own industry is concerned, you will not expect me to attempt any forecast of the immediate future; but whatever the shape of the post-war world, it is clear from recent pronouncements that the Government is alive to the fact that an active and expanding building industry is the backbone of national prosperity, and that in consequence there will be a substantial demand for cement for many years to come. The cement industry, with its existing capacity, together with the increases already planned, will be ready, as it has always been in the past, to meet all demands made upon it; and as soon as it is freed from war-time controls will, I have no doubt, revert to its pre-war practice of increasing production, cheapening costs and selling-prices, improving the wages and conditions of its employees, and providing a reasonable return on the capital which has made its development possible.

But in the meantime let us concentrate all our efforts on the winning of victory; then, and then only, shall we have deserved the opportunities for joyous adventure and high achievement which will beckon to us in the days to come.

VICKERS LIMITED

A STRENUOUS YEAR

The seventy-sixth annual general meeting of Vickers Limited was held, on the 2nd instant, at Vickers House, Broadway, Westminster. Mr A. A. Jamieson (the chairman of the company) presided.

In his statement, which was circulated to the stockholders with the report and accounts, the chairman said:—

During 1942 Sir Charles Craven resumed his duties as chairman and managing director of Vickers-Armstrongs Limited, and of English Steel Corporation, Limited. Subsequently it was arranged that his services should be placed at the disposal of the Minister of Production on a part-time and advisory basis, but he will also carry on his work here.

It is a satisfaction to me that we have once more been able to place the report and accounts before stockholders punctually, but this has not been done without great effort and the gradual depletion of man-power in the administrative sections may render this impossible in future.

BALANCE-SHEET ITEMS

There are some features in the balance-sheet before stockholders which call for explanation. Vickers have sold certain quoted shares and the remaining holdings under this heading now stand at a nominal figure. The market value of these holdings at December 31st was approximately £143,176. In the balance-sheet of Vickers-Armstrongs under the sub-heading "Other companies—shares, at cost, less reserve" there is a reduction from £462,285 in 1941 to £238,647 in 1942. The reason for this is that Vickers-Armstrongs have taken over the assets and liabilities of three of their wholly owned subsidiary companies, viz.: The Whitehead Torpedo Company, Limited, The Thames Ammunition Works, Limited, and The Variable Speed Gear, Limited. The assets and liabilities taken over are now included in the Vickers-Armstrongs' balance-sheet under the appropriate headings. It was felt that no useful purpose was served by continuing to operate these wholly owned subsidiaries as separate companies.

The increase of £15,883,601 in the figures of stocks, work-in-progress and debtors of Vickers-Armstrongs reflects the expanding production of that company. The consequent drain upon our cash resources, after allowing for the increase in instalments on account of contracts of £8,491,294 is exemplified by the reduction in cash balances and the larger advances which we have been called upon to make to Vickers-Armstrongs, the indebtedness of that company amounting to £8,517,007 as against £6,395,155 in 1941.

All known taxation has been provided for and all taxation due has been paid.

YEAR OF EXPANDING PRODUCTION

The accounts indicate that 1942 was a year of expanding production and our energies were fully employed in producing all forms of material for the supply departments. Our shipyards have made deliveries of every class of warship and merchant ship required of us. Our aviation works have delivered an increasing number of Spitfires and Wellingtons. The constant development of these aircraft, in order that they might retain their position as the finest of their class, has occupied the attention of the technical departments concerned; in addition the development of new types has continued. Our engineering works have expanded their production of armaments of every description and have kept pace with the ever-changing requirements. The demands upon the capacity of the English Steel Corporation have been intensive. The Corporation has delivered an increased supply both of steel and of machined products. They have also given much technical information to other companies.

Support has been given to the war savings campaign and it may be of interest

to stockholders to know that the total amount subscribed through savings groups within this organisation from their inception till December 31, 1942, is £2,083,000.

It has been a strenuous year, and a tiring one for all employees in this organisation: but one and all they continue to give of their best and are ready for another year of heavy and continuous work.

The report and accounts were unanimously adopted and the final dividend of 6 per cent. approved.

JOHN BARKER AND COMPANY, LIMITED

The fiftieth ordinary general meeting of John Barker and Company, Limited, was held, on the 8th instant, at Kensington.

Mr Trevor A. Bowen, D.L., J.P., chairman and managing director, said that he was pleased to report a net profit of £345,056, an increase of £91,308 over last year. Their liquid assets totalled £1,958,429, an increase of £332,712. Notwithstanding the successful results of the year under review, they could not expect such good results in the current year; the adverse conditions under which they were trading today were having a cumulative effect upon trade and that would be felt increasingly.

He was no pessimist but, looking at the future and the rate at which red clothing coupons were being used, it appeared that in a very few months they would be exhausted. Other factors indicated that apart from that particular matter the outlook was not at all encouraging. Cash was plentiful at the moment, but coupons were largely the governing factor in trade, and he was of opinion that they would need all their carefully built-up reserves to pull through and re-establish their pre-war position. They proposed to pay a dividend of 10 per cent., less tax, on the ordinary shares.

The report was adopted.

LANCASHIRE STEEL CORPORATION, LIMITED

IMPORTANCE OF RESEARCH

The thirteenth ordinary general meeting of this company was held, on the 2nd instant, at Manchester.

Mr John E. James, chairman and managing director, said that he would like to take the opportunity of welcoming those members who had acquired their holdings since the last meeting through the liquidation of the Partington Steel and Iron Company.

The directors had decided to recommend the full dividend of 5½ per cent., less tax, on the second preference shares and 7 per cent., less tax, on the "A" and "B" ordinary shares. The directors also proposed to recommend the conversion of all classes of shares into corresponding classes of stock.

The war had revealed more and more the value of research and its effect upon the technical side of the industry, and greater provision for research would require to be made in post-war years than in the past. The investigations which would be necessary could, he considered, be done most effectively both by individual companies and by the industry acting collectively. Individual companies, for example, might develop those types of research in their laboratories which could be pursued and tested in their own works, transferring thereafter to collective research the results of those investigations. The Corporation itself had many avenues both in raw materials and in finished products which would provide great scope for such work, and in that way make some contribution towards at least one object of research, the standardisation of methods of manufacture. The whole question was one of great interest and very considerable attention would require to be paid to it.

The report was adopted and the proposed conversion of shares into stock was approved.

HADFIELDS LIMITED

FRESH RECORDS ACHIEVED

MR P. B. BROWN ON THE OUTLOOK

The fifty-fifth ordinary general meeting of Hadfields Limited was held, on the 2nd instant, at the Royal Victoria Hotel, Sheffield, Mr P. B. Brown, M.Inst.C.E., J.P., chairman and joint managing director, presiding.

The chairman, in the course of his speech, said: The enormous demand for steel of the highest quality has made it necessary to conserve the use of imported alloys. Valuable work in this direction has been done by the technical advisory committee of the special alloy steel committee of the Iron and Steel Control in which our company has of course participated. For over half a century our research workers have been in the vanguard of that great army of metallurgists who, following the example of our late chairman, Sir Robert Hadfield, devote their lives to the study of that indispensable and versatile metal steel.

Sir Robert's discovery and publication in the early eighties of the last century of the remarkable transformation in the physical properties of carbon steels brought about by the addition of 12 per cent. or 13 per cent. of manganese, has been acknowledged as the beginning of the "Alloy Steels Era."

TAYLOR-WHARTON'S 200TH ANNIVERSARY

An interesting reminder of this occurred last October, when I was invited to send to the Taylor-Wharton Iron and Steel Company, of High Bridge, New Jersey, U.S.A., a message on the 200th anniversary of its formation. In response the following telegram was sent:—

"Hadfields Limited send hearty congratulations to Taylor-Wharton Company on its 200th birthday and on the jubilee of our friendship. During the 50 years since you introduced to America the manufacture of Hadfield manganese steel our association has been mutually helpful and stimulating. Long may it continue."

In a publication issued by that company in celebration of its 200th anniversary they give an interesting account of the great forward step they took when they adopted the Hadfield systems for the manufacture of alloy steels, and describe how it brought to them a great wave of prosperity. We still maintain a close technical association with the Taylor-Wharton Company.

WIDESPREAD ACTIVITIES

You probably know that the operations of our company go far beyond the mere production of high-grade steel. A large proportion of the steel we produce is fabricated into machines of various types and other highly finished engineering products; in fact the number of workers engaged in our engineering departments is much greater than that employed in the melting, refining, forging, rolling, and other purely metallurgical processes.

The profit for the year amounts to £202,264 as against £198,904 for last year. It will, however, be noticed from the profit and loss account that the amount paid for war damage insurance is £10,569 less than for 1941; therefore, actually there is a reduction in the real profits of £7,209.

The total current assets exceed the current liabilities (excluding works development provisions) by £1,720,494 as against £1,703,758 a year ago. The reserve accounts and profit and loss balance amount to £1,330,516, which is equal to 123 per cent. of the issued ordinary capital. It will be seen that the policy of the board is to build up the financial resources of the company in order to meet the difficulties and uncertainties of the future, and I feel sure this will have your approval.

Unfortunately, I am not in a position to give details of the great variety of work upon which we are engaged or of the

alterations and extensions made to the plant. You will, however, be glad to know that all past records of the company have been exceeded in tonnage and in values.

THE FUTURE

Many schemes are being promulgated for the better regulation of industry, the control of banks, credit, exchanges, overseas trade, and the like, but we cannot get away from the hard fact that the world will be impoverished by the destruction and disorganisation brought about by the war, and it will be some considerable time before the industries of this country, on which so many of us depend, can recover. It is to be hoped that the international conferences now being proposed will give some index of the conditions under which trading may be possible between the nations in post-war years.

As Lord Riverdale said in a short article that appeared in the press on March 3rd, and which I would advise you all to read carefully, "It is to foreign trade we must look for our future well-being." Equality of opportunity, freer and fairer access to the markets of the world must be provided if international trade is to be built up and world-wide peace and prosperity secured.

BEVERIDGE SCHEME

You are no doubt all carefully studying the recommendations of the Beveridge scheme for killing the five giants—physical want, disease, idleness, squalor, and ignorance. The proposals Sir William puts forward must commend themselves to all who have the nation's interest at heart, but the extent to which his recommendations can be adopted must depend entirely on the capacity of the country to secure a fair share of international trade. While we may approve of most of them it would be unwise under present conditions to pledge the Government, the employers, and the employees to the great increase in expenditure required to carry out his recommendations.

There are many firms who, like ourselves, have made large and costly extensions at their own expense in order to meet the demands of the Service Departments of the Government. There is little doubt that at the end of the war many of these extensions and additions to plant will be surplus to our peace-time requirements. The Finance Acts state that any loss occurring under these circumstances shall be a charge against taxation, but such loss, unless previously realised by sale or otherwise, is to be taken "on such date as Parliament may hereafter determine." In order to enable us to give consideration to post-war developments we must urge the Government to make a more definite statement at an early date.

There are other matters upon which it is desirable that the Government's policy should be made known. The Federation of British Industries is taking up these points with the Treasury and should receive the active support of all firms likely to be affected.

The chairman concluded by moving the following resolution: "That the directors' report and balance-sheet now submitted be adopted and entered on the minutes. That the payment of the dividend on the £300,000 4½ per cent. cumulative preference stock (£10 per unit) for the year 1942 be confirmed; that in addition to the interim dividend on the ordinary stock of 9d. per unit (7½ per cent.), less tax, paid on August 31st, a final dividend be paid at the rate of 1s. 6d. per unit (15 per cent.), less tax, making the total ordinary dividend for the year 1942 2s. 3d. per unit (22½ per cent.), less tax."

The resolution was carried.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

RECORD WORKS OUTPUT

The forty-third annual general meeting of Associated Electrical Industries, Limited, was held, on the 2nd instant, in London. Sir Felix J. C. Pole (the chairman) said that the profit for the year was £686,527, an increase of £4,991, and the net profit was £452,820, an increase of £34,580. The directors recommended a dividend of 10 per cent., less tax. The Council of the Institute of Chartered Accountants had been expressing its views on certain aspects of the accounts of companies. That was all to the good because there were differences of practice which might well be assimilated. For example, stockholders would note that it was their company's practice to make complete provision for taxation on the profits of the year covered by the report and they showed the amount to be paid in dividends as a net figure after deduction of tax. That was not universal practice. In their case, if they showed the preference and ordinary dividend figures gross, that was including tax, then the profit for the year would be recorded as £984,925 instead of £686,527.

RECORD ORDERS

All previous records had been beaten by last year's orders received and the output of their works. They had responded wholeheartedly to the demands of the Government for increased production. Indeed they had been actively engaged for a good many years in assisting the country's defence programme, and today their works were entirely occupied on work for the furtherance of the war effort. Much of that represented their normal electrical products and in that connection the stockholders would be interested to know that the company had received substantial orders from the Ministry of Supply for electrical plant for our Russian allies.

(Continued from page 472)

than was originally thought, and a great many time-workers will in consequence not benefit by the full 6s. advance. The unions have emphasised that there will have to be an adjustment so that the pieceworker will not have to earn the 20s. transferred from the national bonus to the district rate. The award has no effect on the wages of women who are

The knowledge and skill of the company's engineers had been in constant demand in devising or improving specialised articles, and the company had been gratified to receive many commendations from Government departments. On the manufacturing side great skill had been displayed in expanding and improving factory accommodation, and in securing the highest degree of workshop efficiency and the most speedy flow of output.

POST-WAR PROBLEMS

With regard to post-war problems the important thing at the moment was to win the war, and he accepted wholeheartedly the Prime Minister's advice that they should "concentrate even more zealously upon the war effort and not take our eye off the ball for a moment." He might say, however, that—to quote another Minister, Major Lloyd George—"I believe that the country's future prosperity is intimately tied up with the electrical industry and that that industry is bound to play an extremely large part in post-war reconstruction."

When the war was over he felt satisfied that, no matter whether there was to be—as he hoped—a planned organisation of industry or whether they reverted to highly wasteful competitive conditions, nationally and internationally, the Associated Electrical Industries group of companies would not be found wanting. The war had shown that the manufacturing industry could produce to meet maximum demands. The great post-war problems related to distribution and consumption. If they could, by national and/or international action, find ways and means of preventing that kind of world suffering so aptly described as "production wealth and consumption poverty" all would be well. The problem was being discussed on both sides of the Atlantic, and, in his opinion, all suggested solutions should be most sympathetically studied.

The report was unanimously adopted.

B. MORRIS AND SONS, LIMITED

INCREASED TRADING PROFIT

The annual general meeting of B. Morris and Sons, Limited, was held, on the 7th instant, in London.

Mr Arthur J. May (chairman and managing director) said that the profit on trading, £26,761, showed an increase of £7,654. After meeting various items, there was a balance of profit of £17,042, which showed an increase of approximately £5,000. More than two-thirds of that profit was set off against the profit and loss account, reducing the adverse balance to £2,270. That arrangement improved the asset value of the ordinary shares very considerably, apart from the fact that they would receive a 5 per cent. dividend.

The company in 1942 had earned over 10 per cent. net on the ordinary capital, which reflected a great deal of credit on the staff and employees. Part of the profit was due to circumstances, that were not likely to operate in 1943, but their normal trading profit was larger than in 1941. If they had another successful effort this year, their taxes might be heavier, but they would be able to meet the increased taxation without affecting their capacity to pay dividends. That, of course, depended on the year's business. They were subject to various Government controls, the chief being the Tobacco Control, and there was no doubt that the price of raw material, owing to the efficient working of that control, had been kept within bounds.

Last year they had promised a very substantial reduction of the debit balance on the profit and loss account, and nothing gave him greater pleasure than the fact that they had been able to redeem that promise. He was not going to say anything with regard to 1943, except that their brands of cigars and cigarettes were very much in demand. The first three months of the year had been satisfactory.

The report was unanimously adopted.

employed as women under the recent Women's Wage Agreement, but it will affect those women who are employed as "men" under the Men's Wages Agreement. The table at the foot of this page shows how a skilled fitter is affected by the Tribunal's award, and how the new position compares with the old rate, the unions' claim, and the employers' offer. London rates are somewhat higher.

ENGINEERS' WAGES IN MAIN PROVINCIAL AREAS

Standard wages of a skilled fitter (the basis of the engineering wage structure) when employed on PLAIN TIME RATES per week of 47 hours; overtime is paid extra pro rata at premium rates; holiday credits worth about 1/10 a week are additional.

OLD RATES Up to March 20, 1943	UNION CLAIM November 5, 1942	EMPLOYERS' OFFER January 5, 1943	TRIBUNAL AWARD Operative March 20, 1943
District Base Rate s. d.	Addition of 11/- to Base Rate s. d.	Transfer of 20/- from Bonus to Base Rates s. d.	Transfer of 20/- from Bonus to Base Rate s. d.
National Bonus 33 6	National Bonus 33 6	National Bonus 13 6	National Bonus 13 6
Timeworkers' Bonus 2 0	Timeworkers' Bonus 2 0	Timeworkers' Bonus inc. from Rate 8 0	National Bonus 21 6
	Addition of 33 1/2% on Base Rate 19 0	2/- to i.e., 6/- increase. 8 0	
	81 6	111 6	87 6

Minimum assessment of wages of a skilled fitter when employed on any system of Payment by Results—commonly known as PIECEWORK per week of 47 hours; overtime is paid extra as above, and the additional hours enable the pieceworker to increase his premium earnings correspondingly; holiday credits worth about 1/10 per week are additional.

OLD RATES Up to March 20, 1943	UNION CLAIM November 5, 1942	EMPLOYERS' OFFER January 5, 1943	TRIBUNAL AWARD Operative March 20, 1943
District Base Rate s. d.	Addition of 11/- to Base Rate s. d.	Transfer of 20/- from Bonus to Base Rate s. d.	Transfer of 20/- from Bonus to Base Rate s. d.
National Bonus 33 6	National Bonus 33 6	National Bonus 13 6	National Bonus 13 6
Min. piecework premium 25% on 46/- 11 6	Min. piecework premium, 33 1/2% on 57/- 19 0	Min. piecework premium, 25% on 66/- 16 6	Min. piecework premium, 27 1/2% on 66/- 18 2
	91 0	109 6	97 8

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

WHILE the war news has throughout served to maintain sentiment, *The Financial News* ordinary share index reaching a new high at 97.9 on Tuesday, actual turnover pending the Budget has failed to improve. Several minor improvements for some of the short and medium dated stocks in the gilt-edged market were recorded at the reopening, but irredeemable and long-dated issues were barely steady in the absence of any real business. Brazilian bonds were firm in the foreign bond market, but, apart from some marking-up of Japanese issues, there was little of note. The publication of the Government White Paper on the railway revenues occasioned some rather tentative and speculative support for home rail issues. GW improved 1 1/2 points and LMS ordinary 1/2, with smaller gains for most of the prior charges. By midweek, however, interest had slackened considerably. Argentine rail stocks failed to attract any interest, but, elsewhere in the foreign rail market, Antofagasta and San Paulo issues were firm.

Selective buying offset the occasionally irregular tendency of the industrial market. International stocks were outstanding, improving in sympathy with the trend in New York. Brazilian Traction, International Nickel, and Holdings were all higher on the week, while Canadian Pacific ordinary rose 1 1/2 points on steady support. Despite the imminence of the Budget, brewery shares were steadier than of late. Among tobacco issues, Imps were outstanding with an advance of 1/2. In the motor and aircraft section, aircraft shares were firmer on Mr Churchill's statement on the future of the industry, while Raleigh Cycle Holdings advanced 2s. 6d. The feature of an otherwise quiet heavy industrial section was the marking-up of John Summers "A" shares by 4s. 6d. on the increased distribution. South Durham, however, weakened on the slight increase in the dividend. British Celanese attracted buyers in the textile market, the ordinary

shares gaining 1s. 4 1/2d. Courtalds recovered last week's decline, advancing 1s. Shipping issues displayed no decided tendency, although Court Line rose 9d. Stores issues were easier after their recent strength, and among miscellaneous stocks, Metal Industries "B" shares rose 2s.

Further details of the allied post-war currency schemes with their proposals for gold, continued to encourage Cape buyers in the kafir market. Dealings were on a rather reduced scale this week, while interest was transferred to the dividend-payers from the developing mines of the Far West Rand. Diamond shares were well supported, Consolidated of South Africa rising 2s. 6d. among other issues. Rubber shares were devoid of any interest, although tea shares were in demand in midweek, gains ranging from 6d. to 1s. Activity in oil shares was never great, although leading issues were slightly better in midweek, recovering their earlier insignificant losses.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares* 20 Fixed Int.†
April 1.....	5,087	2,276	97.6 136.7
" 2.....	5,107	1,874	97.7 136.7
" 5.....	6,861	2,314	97.7 136.7
" 6.....	5,476	2,345	97.9 136.7
" 7.....	5,144	2,645	97.8 136.7

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 97.9 (April 6); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

WALL STREET responded strongly to the favourable reports of the Tunisian campaign. Trading on the opening day this week was the most active for over 15 months, investment and speculative buying resulting in widespread gains. Demand for rail and utility stocks was particularly marked, several issues achieving new peaks for the year, while steel, copper and industrial favourites advanced, despite intermittent but heavy profit-taking.

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

	1943	Mar. 17, 1943	Mar. 24, 1943	Mar. 31, 1943
	Low Jan. 8	High Mar. 31		
347 Industrials	81.1	94.9	89.8	90.5
32 Rails	72.6	91.0	85.2	85.1
40 Utilities	67.9	77.5	75.1	75.5
419 Stocks	78.5	91.9	87.2	87.8
Av. yield %	5.36	4.65	4.93	4.90

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Mar. 25	Mar. 26	Mar. 27	Mar. 29	Mar. 30	Mar. 31
112.4	113.3	113.7	115.3	116.7	116.0

1943: High, 116.7, Mar. 30; Low, 99.5, Jan. 2.

Total share dealings: April 1, 1,742,000; April 2, 1,659,000; April 3, 836,000; April 5, 2,648,000; April 6, 2,464,000; April 7, 2,100,000.

* Two-hour session only.

Capital Issues

Week ending April 10, 1943	Nominal Capital	Conversions	New Money
Particulars of Government issues appear on page 482.			
Year†	Including Conversions	Excluding Conversions	
1943.....	476,123,284	465,626,028	
1942.....	586,051,545	582,049,480	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1943.....	464,838,428	787,600	Nil
1942.....	581,812,690	189,308	37,488

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	460,815,286	609,837	4,202,905
1942.....	580,071,139	156,279	1,822,068

† Includes Government issues to Mar. 30, 1943, only. Above figures include all new capital in which permission to deal has been granted.

UNITED STATES: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1941		1942						1943	
		1929	1932	1939	1940	1941	1942	Dec.	Jan.	Feb.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
		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	108	122	155	167	171	172	183	185	190	194	196	198	202
2. Manufactures, dur. adj. F.R.B.		"	110	58	108	123	156	181	164	166	167	187	192	194	192	192	193
" unadj. F.R.B.		"	132	41	109	138	193	250	214	221	225	258	264	273	277	284	289
Manufactures, non-dur., adj. F.R.B.		"	93	70	108	113	133	141	141	143	142	140	142	143	144	147	148
" non-dur., adj. F.R.B.		"	107	67	106	117	125	129	134	134	133	130	131	129	131	126	127
Minerals, adj. F.R.B.		"	117	28	72	81	122	166	123	118	128	182	179	185	198	177	137
Mining contracts awarded:—		1925-25=100	87	13	60	72	89	81	69	82	100	65	70	83	90	82	80
Total, adj. F.R.B.		"	142	40	81	89	149	236	267	147	151	278	268	269	286	254	183
Residential, adj. F.R.B.		"	152	78	101	109	130	138	137	140	139	143	136	133	134	134	142
Other, adj. F.R.B.		1935-39=100	111	69	90	94	110	124	111	138	126	130	123	128	138	123	165
Freight-car loadings, adj. F.R.B.		1923-25=100	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Dept. store sales, adj. F.R.B.		"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Employment:—		"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Non-agricultural, adj. F.R.B.		'000	...	29,757	30,992	34,409	36,988	35,802	35,816	35,952	37,435	37,647	37,966	38,225	38,745	38,833	38,833
" unadj. B.L.S.		"	...	...	...	...	36,976	36,976	36,976	36,976	37,802	38,348	38,533	38,533	38,533	38,533	38,533
" adj. F.R.B.		1939=100	106.0	77.6	100.0	104.2	115.6	124.3	120.3	120.4	120.8	125.8	126.5	127.6	128.8	130.2	130.2
Factory, adj. F.R.B.		"	106.1	66.4	100.0	107.5	130.3	147.8	138.1	138.8	140.2	150.1	151.8	153.7	155.5	158.9	158.9
" unadj. F.R.B.		"	119.8	50.7	100.0	114.5	165.3	234.5	191.0	195.6	202.9	245.8	252.6	261.3	270.6	278.9	278.9
Payrolls, unadj. F.R.B.		"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Average hours, B.L.S.		Number	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
" hourly earnings, B.L.S.		Cents	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Cost of living, F.R.B.		1935-39=100	122.5	97.6	99.4	100.2	105.2	116.5	110.5	112.9	117.5	117.8	119.0	119.6	120.4	120.4	120.4
Farm prices:—		"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Farm products, B.L.S.		1926=100	104.9	48.2	65.3	67.7	82.4	105.9	94.7	100.8	101.3	106.1	107.8	109.0	110.5	113.6	117.0
Foods, B.L.S.		"	99.9	61.0	70.4	71.3	82.7	99.6	90.5	93.7	94.6	100.6	102.4	103.4	103.5	104.3	105.2
Other commodities, B.L.S.		"	91.6	70.2	81.3	83.0	89.0	95.5	93.7	94.6	94.9	95.6	95.5	95.5	95.5	95.5	95.5
Wholesale com./dty prices, unadj., F.R.B.		"	95.3	64.8	77.1	78.6	87.3	98.8	93.6	96.0	96.7	99.2	99.6	100.0	100.3	101.0	102.0
Ak. Debits:—		"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total all reporting centres		Million \$	81,878	...	35,328	37,155	44,783	...	56,582	48,605	41,545	49,179	52,712	55,056	56,673	64,990	...
New York City		"	50,257	...	14,265	14,293	14,810	...	20,598	17,247	14,242	17,051	18,583	18,323	17,016	23,921	...
Gold stock		"	3,996	3,952	17,644	21,295	22,737	22,726	22,737	22,741	22,705	22,756	22,754	22,740	22,743	22,726	...
Money in circulation		"	4,476	5,328	7,171	7,901	9,816	...	11,160	11,176	11,485	13,200	13,703	14,210	14,805	15,410	...
Member Bank Res. Balances		"	2,358	2,114	10,466	13,331	...	...	12,450	12,927	12,619	12,339	11,592	12,735	13,208	13,172	...
Excess Reserves		"	43	256	4,469	6,376	...	...	3,085	3,347	2,696	2,143	1,690	2,644	2,909	1,388	...
Capital issues, C.F. Chronicle		"	595	99	186	163	236	89	138	182	123	103	45	28	29	37	...
54 India. securities, Stand. Statistics		1929=100	100	24.4	55.5	2.51	1.96	2.02	1.43	43	41	41	42	45	...	...	...
Govt. bonds		"	3.60	3.66	3.36	2.51	1.96	2.02	1.43	43	41	41	42	45	...	...	...
Income payments, adj.		1935-39=100	120.5	70.0	115.8	113.8	137.3	...	151.9	153.8	155.8	174	172.9	186.5	186	190	196.5
Treasury receipts		"	4,032	2,076	5,595	7,606	...	...	1,819	2,104	2,008	2,484	2,528	2,484	2,484	2,484	2,484
" expnd., national defence		Million \$	...	...	...	...	...	...	1,850	2,104	2,008	2,484	2,528	2,484	2,484	2,484	2,484
" " total		"	3,852	4,320	9,528	12,774	...	...	1,942	2,622	2,629	5,215	5,331	5,937	6,363	6,500	6,372

Finance

GOVERNMENT RETURNS

FLOATING DEBT
(£ millions)

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
1942				
Apr. 4	965-0	Not available		
Dec. 31 1943	2,833-2	161-6 67-7 966-5		4029-0
1943				
Jan. 9	1045-0	Not available		
" 16	1040-0	"		
" 23	1030-0	"		
" 30	1020-0	1770-8 231-7 24-0 960-5		4027-0
Feb. 6	1010-0	Not available		
" 13	1000-0	"		
" 20	990-0	"		
" 27	980-0	1829-7 230-1 24-7 1000-5		4065-1
Mar. 6	975-0	Not available		
" 13	975-0	"		
" 20	975-0	"		
" 31	2838-9	282-5 6-5 969-0		4096-9
Apr. 3	975-0	Not available		

TREASURY BILLS
(£ millions)

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
Apr. 5	75-0	147-2	75-0	s. d. 20 2-72	34
1943					
Jan. 8	75-0	133-9	75-0	20 2-11	46
" 15	75-0	140-0	75-0	20 1-56	36
" 22	75-0	148-2	75-0	20 1-66	33
" 29	75-0	161-0	75-0	19 11-57	28
Feb. 5	75-0	158-7	75-0	19 11-80	29
" 12	75-0	141-6	75-0	19 11-85	34
" 19	75-0	152-7	75-0	19 11-93	32
" 26	75-0	172-8	75-0	19 11-86	24
Mar. 5	75-0	161-7	75-0	19 11-68	25
" 12	75-0	164-5	75-0	20 0-29	30
" 19	75-0	169-9	75-0	20 0-58	30
" 26	75-0	157-4	75-0	20 1-82	11
Apr. 2	75-0	150-6	75-0	20 2-39	30

On April 2nd applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 30 per cent of the amount applied for, and applications at higher prices in full, £80 millions of Treasury Bills are being offered on April 9th. For the week ending April 10th, the banks will be asked for Treasury deposits to the maximum amount of £70 million.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2½%
BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Feb. 23.....	5,484	2,569	8,700	6,716
Mar. 2.....	5,143	2,136	13,367	8,377
" 9.....	6,960	2,837	27,371	50,781
" 16.....	8,834	4,405	32,718	39,223
" 23.....	5,863	2,063	8,527	11,100
" 30.....	5,630	2,507	9,864	9,468
Apr. 6.....	...	...	19,059	8,783
Totals to date ..	755,831	554,823	11,309,297	207,906

* 175 weeks. † 118 weeks. ‡ 19 weeks.
|| Including all Series.

Interest free loans received by the Treasury up to Apr. 6th amounted to a total value of £5,614,357. Up to Mar. 31st, principal of Savings Certificates to the amount of £100,322,000 has been repaid.

BANK OF ENGLAND
RETURNS

APRIL 7, 1943

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt.	11,615,100
In Circulation	Other Govt.	
Bank of England	Securities	938,103,156
Department	Other Secs.	872,414
	Silver Coin	9,330
	Amt. of Fid. Issue	950,000,000
	Gold Coin	
	Bullion (at 168s. per oz. fine)	241,718
		950,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	181,992,838
Reserves	3,098,622	Other Secs.	
Public Depos.	4,835,545	Discounts	9,635,358
		Advances	18,336,819
Other Depos.	141,510,750	Notes	28,472,177
Bankers' Balances	55,233,605	Gold & Silver	10,730,987
		Commodities	1,045,920
	199,744,395		
	222,231,522		222,231,522

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

COMPARATIVE ANALYSIS
(£ millions)

	1942	1943
Issue Debt:		
Notes in circulation	763-9	928-7
Notes in banking department	21-5	15-7
Government debt and securities	778-2	949-1
Other securities	1-8	0-9
Silver coin	0-0	0-0
Gold, valued at 8s. per fine ounce	0-2	0-2
Deposits:		
Public	3-0	6-0
Bankers	155-1	169-6
Others	55-6	55-2
Total	199-7	230-8
Banking Dept. Secs.	172-5	199-2
Government	6-1	6-8
Discounts, etc.	22-0	19-9
Other	200-6	225-9
Total	16-6	22-9
Banking dept. res.	16-6	22-9
" Proportion "	8-3	9-9

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £880 million to £950 million on December 1, 1942.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 6d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:—

Date	Cash	Two Months
Apr. 1.....	23½	23½
" 2.....	23½	23½
" 5.....	23½	23½
" 6.....	23½	23½
" 7.....	23½	23½

The New York market price of fine silver remained at 44½ cents per ounce throughout the week.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Apr. 2nd and Apr. 8th. (Figures in brackets are par of exchange.)

United States. \$ (4-86½) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4-86½) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22½) 17-30-40. Sweden. Krona (18-159) T.T. 16-85-95; bank notes at Bank of England, 17-40 kr. Argentina. Peso (11-45) 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 99-80-100-30. Panama. 100-00-04; mail transfers 4-02-04. Brazil. 85-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Offices. Spain. Peseta 40-50 (Official rate); 45-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Apr. 2nd and Apr. 8th:
Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-2. China. National \$ 2½-3½.
Special Accounts are in force for Chile, 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 cent pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between Apr. 2nd and Apr. 8th:—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, 1½-1½%; 3 months, 1½-1½%. Day-to-day money, 1½-1½%. Short Loans, 1½-1½%. Bank deposit rates 4%. Discount deposit at call 1½%; at notice 1½%.

NEW YORK EXCHANGE RATES

New York on	Mar. 31	Apr. 1	Apr. 2	Apr. 3	Apr. 5	Apr. 6
Cables						
London	402½	402½	402½	402½	402½	402½
Montreal	100-250	90-250	90-250	90-250	90-250	90-250
Zurich	23-35	23-35	23-35	23-35	23-35	23-35
B. Aires	23-05	24-12	24-10	24-10	24-08	24-05
Rio	5-18	5-18	5-18	5-18	5-18	5-18

* Official buying rate 29-78. † Price rate 37-00. ‡ Bid.

PROVINCIAL BANK CLEARINGS
£ thousands

	Week Ended	Aggregate from Jan. 1 to
	April 4, 1942	April 5, 1943
Working days:	6	6
Birmingham	2,930	3,230
Bradford	2,363	2,027
Bristol	2,278	798
Hull	1,104	534
Leeds	1,309	1,246
Leicester	1,176	1,182
Liverpool	5,485	5,361
Manchester	14,347	14,398
Newcastle	1,743	1,450
Nottingham	613	446
Sheffield	1,222	1,109
Southampton	81	121
12 Towns	34,651	31,902
Dublin*	6,595	7,724
		430,292
		396,355
		35,311
		97,056

* Mar. 28, 1942, and Mar. 27, 1943.

OVERSEAS BANK
RETURNSU.S. FEDERAL RESERVE
Million \$'s

12 U.S.F.R. BANKS	Apr. 2, 1942	Mar. 18, 1943	Mar. 25, 1943	Apr. 1, 1943
Resources				
Gold certifs. on hand and due from Treasury	20,467	20,407	20,393	20,371
Total reserves	20,802	20,838	20,832	20,785
Total cash reserves	322	391	398	371
Total U.S. Govt. secs.	2,244	6,266	5,950	5,919
Total bills and secs.	2,262	6,290	5,973	5,945
Total resources	24,188	29,244	28,585	28,347
LIABILITIES				
F.R. notes in circ.	8,656	12,651	12,608	12,758
Excess nr. bank res.	3,000	2,130	1,630	1,520
Mr. bank res. dep.	12,496	13,516	13,084	12,759
Govt. deposits	362	6	6	55
Total deposits	14,213	14,651	14,275	13,981
Total liabilities	24,188	29,244	28,585	28,347
Reserve ratio	91-0%	76-3%	77-5%	77-7%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,672	22,610	22,595	22,576
Treasury & bank currency	3,277	3,979	3,984	3,990
LIABILITIES				
Money in circulation	11,593	16,115	16,065	16,252
Treasury cash and dep.	2,549	2,220	2,224	2,277

RESERVE BANK OF INDIA
Million rupees

	Mar. 20, 1942	Feb. 26, 1943	Mar. 5, 1943	Mar. 12, 1943	Mar. 19, 1943
ASSETS					
Gold coin & bullion	444	444	444	444	444
Rupee coin	278	128	123	157	151
Balances abroad	359	915	916	840	878
Sterling securities	2,129	3,851	3,957	3,918	3,968
Ind. Govt. rup. secs.	1,363	1,822	1,825	1,944	1,944
Investments	119	65	63	61	60
LIABILITIES					
Notes in circ.: India	3,789	6,144	6,254	6,345	6,393
Burma	274				
Deposits: Govt.	236	407	324	282	299
Banks	417	505	529	543	556
Reserve ratio	61-1%	68-7%	69-3%	67-5%	67-8%

BANK OF PORTUGAL
Million escudos

	Oct. 29, 1941	Oct. 14, 1942	Oct. 21, 1942	Oct. 28, 1942
ASSETS				
Gold	1,329-4	1,380-4	1,380-4	1,381-2
Balances abroad	1619-4	3020-7	3046-8	3074-2
Discounts	330-5	249-3	247-5	247-5
Securities	329-4	354-8	354-8	354-8
LIABILITIES				
Notes in circulation	3791-7	4943-8	4966-6	5033-0
Deposits: Government	432-2	1641-1	1714-5	1695-5
Banks	2064-1	4017-9	4040-0	4102-2
Others	271-3	432-3	419-7	393-5
Foreign commitments	237-2	235-5	235-5	235-5

THE
ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5199

REGISTERED AS
A NEWSPAPER

APRIL 17, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

The Budget	- - - -	485	Hard Coal Smoke	- - - -	493
United States ?	- - - -	486	Canadian Propaganda Policy	- - - -	495
National Finances	- - - -	487	Production Committees	- - - -	501

NOTES OF THE WEEK	- - - -	489	INVESTMENT	- - - -	504
-------------------	---------	-----	------------	---------	-----

Lend-Lease and Reciprocal Aid; Spring Meeting; The Washington Talks; A First Victory; A House Divided; Industrial Health; A Disappointing Campaign; Short Brothers; Agricultural Education; Science and the Future; Taxing Expenditure; Shorter Notes.

The Budget and the Market; Brokers' Charges; Better Unit Trust Accounts; Stock Exchange Report; Another Preference Scheme; ICI Higher Earnings; South Durham Improvement; Cunard Payments Resumed; Higher Paint Earnings; Brazilian Traction Dividend; BSA Setback; Crosses and Winkworth.

AMERICAN SURVEY	- - - -	493	INDUSTRY AND TRADE	- - - -	507
-----------------	---------	-----	--------------------	---------	-----

Hard Coal Smoke; Senatorial Initiative.

THE WORLD OVERSEAS	- - - -	495			
--------------------	---------	-----	--	--	--

Canadian Propaganda Policy; Financial Occupation of Holland; Rationing in Portugal?

FINANCE AND BANKING	- - - -	502	COMPANY MEETINGS	- - - -	510
---------------------	---------	-----	------------------	---------	-----

One Thousand Million; Lend-Lease Silver for Britain; Bank Investment Record; Belgium's Beau Geste.

RECORDS AND STATISTICS	- - - -	512
------------------------	---------	-----

The Budget

BY far the largest Budget that this country has ever seen is also one of the least controversial. It is remarkable enough that the Chancellor of the Exchequer could propose to spend £5,756 million in a single year—more than the whole national income as recently as 1940. It is still more astonishing that he should intend to raise no less than £2,908 million in revenue. But that he should be able to do these things without stirring up more than a ripple of argument and objection is still more phenomenal, and a tribute alike to the management of the national finances and to the readiness of the people to take their fiscal punishment.

The mass of economic and financial information that is nowadays released with the Budget provides the material for extended comment and for most interesting analysis, with which a beginning is made on later pages. Sir Kingsley Wood, incidentally, promised a further extension of this new, but wholly admirable, principle when the return of peace makes it possible to release information on production and other matters now held secret. The journalist may shudder at the burden that this will lay on him in future Budget weeks if all the new details are also to be released on a single day; but the principle of basing the annual Budget on the widest possible survey of the national economy is the great

advance in public finance that will always be associated with Sir Kingsley Wood's tenure at the Treasury.

Alongside the manifold problems of the nation's economic life, the Budget itself becomes almost a routine performance, and the Chancellor devoted to it only a fraction of his speech. He estimated that both expenditure and revenue on the existing basis of taxation would be higher in 1943-44 than in 1942-43. There can, of course, be no question of covering the deficit, or even of substantially reducing it, by taxation; but Sir Kingsley properly set himself the goal of increasing revenue to such an extent that domestic drafts on capital this year would be no larger than last year. This involved raising about £100 million in additional taxation and, as was the general expectation, the burden has been placed on "optional expenditure" on tobacco, alcohol, entertainments and on the purchase of "luxury" goods.

This procedure is unexceptionable. It is, of course, necessary to record regret that the Chancellor did not take the opportunity of reforming a system of income taxation which, in these days of universal direct taxation, has become dangerously cumbrous—he would concede no more than a statement that this subject was "not excluded" from the deliberations of his advisers. It is possible once again to

the coming year have been underestimated. The year 1942-43 showed an increase of expenditure of £847 million, while the increase for which the Chancellor is now budgeting appears—after allowance has been made for the disappearance of expenditure on supplies from Canada, which are now to be lease-lent—to be only some £375 million. This might be partly explained by the fact that production is now at its peak; but the same argument hardly applies to revenue, where the estimated increase, on the existing basis of taxation, and after the necessary adjustments, is only £250 million, compared with a realised increase last year, in excess of the effects of last year's increases in taxation, of £582 million. It is safe to assume that, by the end of the year, revenue will be well over £3,000 million, and expenditure up to, if not over, £6,000 million.

These, however, are minor matters to set alongside the massive achievements of British war finance. In the coming year, on the Chancellor's estimate, revenue will provide 50.5 per cent of the total expenditure, and 56.4 per cent of the expenditure "requiring domestic finance." This latter is the more accurate comparison, and the fairest measure of the British taxpayer's burden. There is almost certainly no other nation in the world which is raising in taxes so high a proportion of its national income as Great Britain. It is a commonplace of the economic history of the last war that the financial policies pursued by Great Britain were far sounder, and far less productive of post-war misery, than those of any other country that fought all through the four years. But in the twelve months that ended on October 31, 1918, only 29 per cent of the total expenditure was raised in revenue, and the heavy proportion of borrowing was raised at rates of interest well over double the present. If this was a sound policy, how much more so is that now being pursued.

It cannot, of course, be maintained that there is no

element of inflation in the financing of the war. Indeed, there is no reason why it should be maintained. So long as there was a wide margin for higher taxes and more stringent restrictions, it was right to press for them, and to preach the perils of inflation. But there is a limit to what can be done in these ways, and that limit has just about been reached. It is enough, in the circumstances, to have kept the degree of inflation small—the national income rose by only 11½ per cent in 1942, of which some part was due to higher real output, and only the remainder to a fall in the value of money—and to have diverted it to the less important sectors of the national economy—the cost of living index is lower than a year ago. It is no secret where the inflation is to be found—in the greatly increased and increasing earnings of the wage-earners—but it happens to be in places where the tax-collector cannot get at it without great difficulty and the risk of injustice. If matters can be held in roughly their present condition the bog of inflation can be considered to be laid—until the Armistice.

The future historian of democratic institutions will find a place for sound methods of public finance among the explanations that he will give of the fact that representative government in Britain has achieved far greater stability and strength than in any other at least of the large European nations. The enormous expenditures and deficits of these wartime years would not fit into any pre-war definitions of soundness. But they are the unavoidable fruit of total war and "soundness" is now to be measured by the extent to which these enormous dislocations and crushing burdens are provided for without social disaster and political disruption. The end of the story is yet to be written. But we have come far enough to be confident that the genius for financial statecraft which has played its part in making the British people great has not deserted them in this greatest of all their trials.

United States?

THE United States is at present passing through a period of considerable political disturbance. It was obvious when last November's elections returned a Congress with a very narrow (and very unruly) Democratic majority, that the President would not have an easy time on the home front. These apprehensions have not been diminished by the behaviour of the new Congress since it convened in January, and Mr. Walter Lippmann declared roundly a few weeks ago that the President, after dominating five Congresses, had lost control of the sixth. On the surface, this would seem to be true. Congress is repealing Presidential directives, and the President vetoing Congressional acts; the farmers' organisations and some of the labour unions are, in their various ways, on the verge of open hostilities with the Federal Government. There is an admitted crisis in food production and a crisis even more severe, though not admitted, in manpower—although food and manpower were two of the contributions that America was to bring in abundance to the cause of the United Nations. But in America more than in most countries, the surface is deceptive. Dissension is the normal state of politics and crises are thick upon the ground. The question that the observer has to decide for himself is whether this is one of the times when the cries of alarm have to be taken seriously or whether by an elaborate process of checks and balances, false starts and sudden recoveries, over-zeal and under-planning and with a very large admixture of plain horse-sense applied on the spot by men who never go to Washington—whether by these familiar methods the right thing will be done in the end.

Mobilisation for war is still the dominant theme of all public activity and most of the matters which appear on the Washington scene as separate problems are in reality only the various aspects of a single gigantic pre-occupation. The production crisis came last autumn when it became apparent that the method of placing contracts

and of "needling" the contractor had reached its limit. Something much closer and more detailed in the way of preliminary planning of production was needed and the War Production Board has provided it under the name of "scheduling." Mr. Charles Wilson of the General Electric Company, is the chief author of the system of scheduling and he has gradually had conferred upon him most of the very considerable powers of the War Production Board. Obscure personal reverberations of the explosion in February, when Mr. Ferdinand Eberstadt was expelled in Mr. Wilson's favour, are still occurring. But the essential thing is that many of the bottlenecks have been broken and that production is rapidly mounting. By the autumn, it is said, America will be producing as many munitions as the rest of the world put together.

Productive capacity and raw materials, in fact, are no longer the limiting factors. Nowhere can the deficiencies of the American administrative structure be seen more clearly than in the manpower arrangements. There is confusion and overlapping at the centre and a great leakage of efficiency between Washington and the local centres of administration. Really serious trouble has not yet been caused, since there has until recently still been a margin of unemployment to draw upon. But grave embarrassments are being caused to a number of essential industries by the absence (at least until the President's order this week) of any really effective means of preventing the voluntary departure of their workers and by the preference of local draft boards for filling the Army with single and childless men from essential industries rather than with fathers of families from less essential trades. But, in any case, as British experience shows, the phase of freezing the labour that is already in the essential industries is only a preliminary to the far more difficult stage of the direction into those industries of fresh supplies of men and women. For direction, America is not yet

either politically ready or administratively equipped.

Part of the difficulty can be briefly expressed by saying that America has no Ernest Bevin. A labour policy as drastic as that in force in Great Britain can be carried through only by a man whom the rank and file of Labour—all of them—trust. But American Labour is divided into three factions, and while there is an uneasy truce between the American Federation of Labour and the Congress of Industrial Organisations, both of them are threatened with outflanking by the redoubtable Mr. John L. Lewis, whose campaign against the President is described by our Washington correspondent on page 493. This situation makes it very difficult for any of the Labour leaders to put himself in a position where he can be accused of abating any of Labour's demands.

Not only the wage earner but the politically much more powerful farmer also has demands which could only be granted at the expense of the general price-level. At the moment the dykes are holding and the stabilisation policy has just been re-affirmed. But the period of danger is not passed. Nor is it certain that the country will accept the considerable intensification of rationing that now impends. The Office of Price Administration, which is the responsible authority, has either through misfortune or mismanagement, contrived to give the country the impression that the rationing system is not efficiently run and the current cry of "Down with Bureaucracy" is hardly conducive to the growth of a system which, in a country like the United States, is necessarily complex. It cannot yet be said for certain whether or not the internal economy of the country will get out of control.

This is the unruly team that President Roosevelt has to drive—and he is driving them with great skill and moderate success. His sense of timing has never been

better shown than in recent weeks. He gave the farm bloc enough rope, and then proceeded to hang them with a veto which neither House of Congress would upset because of the pressure of public opinion. And since that public opinion included the Labour leaders, fearful of a rise in food costs, the President was able to improve on his victory by issuing a blanket prohibition on all rises of prices and wages and by freezing all essential workers in their jobs. It is the mark of an able general to win victories with weak forces by tempting the enemy to advance too far. So long as Mr. Roosevelt is in the White House there is good reason for hoping that the right thing will in the end, or just before the end, be done.

But how much longer will Mr. Roosevelt be in the White House? The election is only eighteen months, the nominating conventions only fifteen months ahead. The President is at present the object of a bitter and concerted attack by a coalition of Republicans and of those Democrats who, on this issue, dissent from the party leadership. Under the Constitution, it is very difficult for there to be anything in the nature of a party truce, and it is already clear that next year's election will be bitterly fought along party lines. The Republicans are out for blood; they will nominate the candidate who has the best chance of winning; and at the moment the odds are on their success. What that will mean it is at present quite impossible to foretell and there are few things more important for anyone who wishes to know the shape of the post-war world than to keep a close watch on Republican politics. It is tolerably sure that there will be no conscious—and certainly no deliberate—slackening in the war effort for at least two years to come. As to what will happen after that, there is nothing for outsiders to do but to watch and pray.

The National Finances

FOR the third year, Sir Kingsley Wood has provided with his Budget a mass of information on the national economy and on the Government finances which makes it possible to understand what is happening under the pressures of war far more clearly than ever before. The tables contained in this year's edition of the White Paper are printed, virtually in full and with a summary of the comment on pages 498-500. The White Paper concerns itself with the two main subjects of its title, with "the sources of war finance" and with "national income and expenditure." The two are, of course, closely related, and it is hardly possible to discuss either one intelligently without calling the other in aid. But they are, nevertheless, distinct subjects and since space is limited, it is proposed to deal in this article in the main with the first subject, the sources of war finance, and to leave the subject of national

income and expenditure for further treatment next week.

The distinction is, roughly, between the economic and the financial, and to begin with the financial is to place the smaller before the larger. This can, however, be remedied by first putting the Government's activities in their proper place in the framework of the national activities as a whole. In wartime, all expenditure—that is, all forms of consuming labour and materials—can be divided into the two heads of personal expenditure on consumption and Government expenditure. The latter, for very proper reasons, cannot be further sub-divided, but this year it is possible, for the first time, to sub-divide the total of expenditure on consumption. In summary form, the figures for the last three complete calendar years are as follows (they can be found in full in Table B on page 498):



EQUITY & LAW
LIFE ASSURANCE SOCIETY
Established 1844

PROTECTION IN WARTIME

● Civilian War Risk Cover without additional charge is normally granted under new Whole-Life and Endowment Assurances—whether With-Profit or Without-Profit.

● A Guaranteed Bonus each year until 1946 inclusive is provided under all new With-Profit Policies—thereafter Bonuses are dependent upon Profits.

Head Office: 163/4, STRAND, LONDON, W.C.2
(temporarily transferred from 20, Lincoln's Inn Fields)
Telephone: TEMple Bar 0381

(£ millions)	1940	1941	1942
Personal expenditure on consumption:			
Food, drink and tobacco.....	1,852	2,010	2,232
Rent, rates, water, fuel, light and household goods.....	985	995	1,003
Clothing.....	496	450	462
Travel.....	185	202	215
Other services.....	461	469	465
Other goods.....	303	383	423
Total.....	4,282	4,509	4,800
Government expenditure on goods and services.....	3,059	4,194	4,608
Total expenditure on goods and services.....	7,341	8,703	9,408

Where did these goods and services come from? The first and most obvious source is the production of the community. This can be measured by the sums of money paid out to the people in the course of producing the year's output; but to this has to be added the total of indirect taxes which, by going into prices, have inflated the figures in the above table. (For example, when a consumer buys a bottle of whisky, the value of the goods and services he is consuming is represented by only a fraction of the price, the remainder being taxation. If the full price of the bottle has been entered in the above table—as it must be—not only the distiller's receipts but also an item equal to the tax will have to be entered on the income side of the balance sheet if the two sides are to balance.) Whatever cannot be provided out of the current output of the British community has to be met by drafts on capital. These can take two forms—domestic or external. Domestic capital is drawn on when accumulated stocks of goods are consumed and not replaced, when machinery and other plant is run down but not maintained, and when actual capital goods—such as park railings—are consumed. External capital is drawn upon to the extent that goods are obtained from abroad on credit—that is, goods that have to be paid for sometime, but are not paid for by the export of British goods at present. The figures for these quantities are as follows:—

(£ millions)	1940	1941	1942
Rent, etc.....	389	385	384
Profits and interest.....	1,624	1,926	2,183
Salaries, etc.....	1,288	1,338	1,408
Wages, etc.....	2,425	2,970	3,409
Net national income at factor cost.....	5,726	6,619	7,384
Indirect taxes, etc., less subsidies.....	837	1,087	1,219
Net national income at market price.....	6,563	7,706	8,603
Drafts on capital—domestic.....	22	200	173
external.....	756	797	632
Total available resources at market price.....	7,341	8,703	9,408

In the two tables printed above, money figures have been used as *measures* of real magnitudes. They are, in fact, anticipations of the subject that is to be discussed in greater detail next week. The remainder of this article is concerned in the main (though not entirely) with the more financial aspects, that is, with the collection by the Government of the money counters that it requires to meet its expenditure, which, as the first table showed, is now very nearly half of the total real expenditure of the community. Expenditure in a financial sense, however, is necessarily larger than the money measure of real expenditure. The cost of old age pensions, for example, has not been included in Government expenditure above as it is a pure transfer of income from the Treasury to the pensioners without any goods or services being consumed in the process. (The pensioner proceeds to consume goods and services, but that is, of course, included in personal expenditure on consumption.) From the *financial* point of view, however, the cost of old age pensions has to be raised by taxation or borrowing just like the cost of any-

thing else. The financial chapter of the story thus begins with a different set of figures:—

(£ millions)	1940	1941	1942
Central Government Expenditure	3,339	4,616	5,103
How are these sums of money raised? The first answer is to give the channels through which they reach the Exchequer:			
Central Government revenue (nearly all taxation).....	1,259	1,828	2,343
Borrowing:—			
A.—From Government agencies—			
Unemployment, National Health and other similar funds.....	543	247	49
Canadian Government interest-free loan*.....	...	...	157
B.—From private sources—			
Small savers†.....	467	601	599
Large savers†.....	552	1,021	1,026
Banks and money market†.....	518	902	476
Tax reserve certificates (i.e., funds accruing to meet taxes).....	...	17	453
Total Borrowing.....	2,080	2,788	2,760
Total receipts.....	3,339	4,616	5,103

* Not to be confused with the Canadian Government contribution of £225 million, which was a free gift.

† These sub-divisions are somewhat arbitrary.

This table is a complete financial answer. But for further enlightenment, it is necessary to recross the frontier between the financial and the economic and to show the ways in which the public (meaning by that phrase, for the moment, all persons and institutions other than the Exchequer itself) obtained the funds which they lent to the Government. The figures are as follows:—

(£ millions)	1940	1941	1942
Personal savings—to meet accrued taxation.....	94	206	280
“free”.....	628	704	891
Business savings—to meet accrued taxation.....	183	233	148
“free”.....	175	180	190
Extra-budgetary funds and local authority surpluses (“Governmental Saving”).....	186	220	231
War risks and war damage claims paid and available for re-lending.....	36	248	215
Funds arising from disinvestment—			
Overseas.....	756	797	632
Home.....	22	200	173
Total (= Total Borrowing).....	2,080	2,788	2,760

Finally, it is possible from the Chancellor's speech to give a summary of the way in which he expects to finance the current year's expenditure. This is set out below, together with the figures for the calendar year, 1942:—

	Calendar Year 1942	%	Financial Year 1943-44	%
Total Expenditure.....	5,103	100	5,756	100
Revenue.....	2,343	46	2,908	51
Borrowing—				
Extra-budgetary funds, local authority surpluses and claims paid.....	446	9	425	7
Business savings.....	338	7	350	6
Personal savings.....	1,171	23	1,300	23
Disinvestment—domestic.....	173	3	173	3
overseas.....	632	12	600	10
Total Borrowing.....	2,760	54	2,848	49

These figures, if they are realised, will establish the soundness, within the new orthodoxy, of the Chancellor's management of the national finances. Although the total of expenditure is to increase, the proportion of it to be raised by taxation is also to increase, without causing any significant diminution in the proportion to be derived from savings. More than that even the purist could hardly demand.

NOTES OF THE WEEK

Lend-Lease and Reciprocal Aid

No better indication could be given of the way in which the war has transformed the picture of the national finances than Sir Kingsley Wood's abandonment of the traditional form of the Budget speech. Instead of beginning with the results of the past financial year, he began with the aid received by the United Kingdom from the United States and Canada, which finds no place in the Budget accounts, and then turned to the aid given by Britain to the United Nations, which is hidden in the Votes of Credit. Eighty per cent of the total goods supplied to the United Nations by the United States are on Lend-Lease terms. From Canada, the United Kingdom received last year the billion dollar gift. This year, Canada is sharing its production of essential war supplies with the United Nations on the basis of strategic needs. In addition, the Dominion is taking over the whole cost of the Royal Canadian Air Force squadrons overseas, as well as the pay and allowances of the RCAF personnel serving in the RAF, Sir Kingsley Wood then gave the other side of the picture—the aid given by the United Kingdom. He emphasised, what is often forgotten, that all the supplies received by this country from the United States have not been on Lend-Lease terms. In fact, since the outbreak of war, £1,500 millions has been spent in America by the British Exchequer on supplies, munitions and the provision of capital equipment a sum far greater than the value of Britain's imports in an average pre-war year. Against this, Britain's total commercial exports, by which foreign currency is earned, have fallen to “a small fraction” of the normal figure. All munitions and military supplies and services furnished by Britain to the United Nations are on Lend-Lease terms. The value of the munitions already given to Russia is estimated at £170 millions. Supplies to the American Forces in this country have meant that the total expenditure of the American army authorities over here (except for the pay of the troops) was only £250,000 in the last seven months of last year, which in its turn meant the saving of 1,200,000 tons of shipping. In addition, Britain is shouldering the general cost of the war from Tunisia to Burma, to meet which £400 million to £500 million a year is being borrowed from the countries concerned. Added to this are the net costs of purchases in South America and neutral countries and the chartering of ships from European Allies, which brought Britain's overseas disinvestment in 1942 to £630 million. In the face of these figures only the most wilfully prejudiced would deny that capitalist and imperialist Britain has stripped itself for the fight.

Spring Meeting

Since the turn of the year there have been many signs of uncertainty in the direction of German policy. Propaganda followed confused and contradictory lines. Political and military commentaries were unusually vague. The Axis Conference at Salzburg last week, which was obviously a full dress and lengthy occasion, seems to have put an end to the period of doubt and discussion. The main outline of the year's strategy has been decided. It is the fourth year of an exhausting war. The spectre of 1918 haunts the German mind and the resemblance is sufficiently exact. In 1918, the defeat of the Germans was determined not by lack of weapons and munitions—Ludendorff had enough for further campaigning. It was determined by lack of manpower. To-day the position is much the same. In spite of the losses in the winter battles, in spite of the muddle in economic organisation, German armament production is still sufficient for more large-scale military campaigns. The difficulty is the lack of new recruits. The 1925 class is already at the front and boys between 15 and 17 are used in the anti-aircraft defences at home. Everything is conditioned by this desperate shortage and it looks now as though the Germans have decided on a defensive war and a long delaying action inside the European fortress. As General Dittmar put it in his first commentary after the Axis conference: “In 1918 we were forced to attack for the purpose of forcing a decision, because we could not wait any longer. At present we have the freedom to wait

and it is the Russians who are forced to attack.” The two chief points in this defensive strategy are the “Atlantic Wall” which, it is claimed, now stretches its concrete fortifications from the North Cape to Iberia; and a stabilised front in Russia against which any Russian offensive will spend itself in suicidal destruction. Yet even for this defensive strategy, Germany's resources are stretched very thin. It is more than ever necessary to get the collaboration of the satellites, partly because Germany's power to police disaffected areas is decaying, partly because men are needed not only to work, but even to fight. This need explains the change in German propaganda to Europe. It is not a new line—the Bolshevik menace, the defence of Western Civilisation, are old gambits. But now this tune has drowned all the others, the notes of menace, the promise of economic stability. Now the refrain is the unity of Europe coming together “freely and voluntarily” in a system of “co-operative defence.” It would be unwise to dismiss completely this attempt to refurbish the “new order.” To meet the new turn in enemy strategy, there should be an energetic closing of the ranks and concerting of plans on the side of the United Nations.

The Washington Talks

In his report to the House of Commons on his visit to America, Mr Eden gave a general account of a series of explanatory talks and personal contacts in Washington and New York. The usefulness of such exchanges is obvious, and the proposed visit of Mr Cordell Hull to this country in the course of the summer will carry on the good work. The Washington talks covered immediate military questions—War Cabinet rather than Foreign Office work—the co-ordination of military and political action and some questions of post-war organisation. On the first point Mr Eden naturally had nothing to say; on the second and third he was rather disappointingly vague. It is true that the British and American Governments cannot come to decisions which commit other Governments, but is there not some danger that this may be used as an excuse for them not to make up their own minds—an essential preliminary to fruitful discussion with others? Discussions on the very important question of co-ordinating political and military policy, a vital need on which the early days in North Africa threw a revealing and uncomfortable light, ended, apparently, in complete agreement. But Mr Eden did not say whether this agreement covers the fundamental problem of deciding with whom the reconquer-



1563 1831

MARTINS BANK

LIMITED

Complete Banking Service

Total Assets - - - \$183,500,000

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2

ing Allies will deal. Mr Sumner Welles' reply to the criticisms of American foreign policy submitted by the Chairman of American Defence, Harvard Group, goes a little further than Mr Eden's report. The American Government is ready to aid "any group fighting the common enemy" but not so "as to prejudice a people's basic right . . . to choose its own form of government." Yet is this formula strict enough to exclude the time-servers? Or to prevent such blunders as the giving of official backing to Otto of Habsburg? However, it is possible that the agreement reached between the two Governments was more concrete than Mr Eden suggested. The last matter of discussion between the two Governments—post-war arrangements—seems to have led to only alarmingly vague conclusions. Mr Eden mentioned only one point on the post-war agenda—the setting up of an authority backed by force to prevent the repetition of aggression by Germany, Italy and Japan. No one denies the importance of this aim nor the value of securing America's full collaboration in enduring it. It has been a matter of common agreement for over a year. Now the time has surely come to sketch in a fuller picture of the post-war order. British and American collaboration depends, as Mr Eden very justly pointed out, on doing a job of work together, the job of securing international peace. This infinitely complicated process cannot be elaborated speedily at the end of the war. Mr Eden is too modest when he speaks of the "certain preparations" which must be made so that the Allies will not be "completely unready when the time comes." This kind of minimum preparedness is comparable to a belated decision, on the eve of war, to have an army at all. By this time in the last war the Allies at least had the Fourteen Points. It would be folly to go into the next peace even more meagrely equipped.

A First Victory

Common Wealth obtained its first win at the Eddisbury by-election with a majority of 486 over the Liberal National. The new party's task was undoubtedly made easier by a split among the Liberals, some of whom contended that the official candidate was really a Conservative. But it is unlikely that all the votes—2,803—given to the Independent Liberal candidate would, in his absence, have been given to the Liberal National, and Eddisbury remains a Common Wealth triumph, which, coming on top of its near successes in four by-elections in February, is a further signal to the leaders of the big parties that it is a political force to be reckoned with—at least in present conditions. Unhindered by a political truce, a Common Wealth candidate has at present all the advantages of a well-organised party structure behind the electioneering programme of an Independent. Officially the party seeks to co-operate with Labour, and will, for the time being at least, not oppose a Labour candidate. But it can hardly be doubted that it is winning votes from many who, if there had been no party truce, would have voted Labour. How long it will continue to secure this benefit depends on whether the Coalition Government, and with it the party truce, continues throughout the reconstruction period, and on this the only official intimation, given last week by Mr Attlee to the Parliamentary Labour Party, is that neither Labour Ministers nor the Labour Party are committed to a peace-time coalition. With the Conservative Party, Common Wealth's position is more simple. It is a case of straight-forward opposition, which will continue after the war. So far no one has spoken for the Conservative Party as Mr Morrison has spoken for Labour. Its leader has spoken indeed, but as Prime Minister of the party coalition. Its chairman has also spoken, only to repudiate the younger progressives in the party by declaring that Conservatives must not attempt after the war to compete with Socialists in bribing the electors, even at the cost of taking a line unpopular in the country as a whole. If it is this Conservative attitude which is to prevail, Common Wealth's pin-pricks may not heal so quickly.

A House Divided

General Catroux returned from Algiers a week ago bearing with him General Giraud's proposals for the union of all right-thinking Frenchmen. The French National

Committee have in the meanwhile spent their time in almost ceaseless deliberation. Yet the essential points of difference have not been eliminated. It appears that the Fighting French in London are not prepared to support, as the interim and provisional organ of French Government, the "French Council of the Overseas Territories" suggested by General Giraud. Nor are they satisfied by the proposal that the interim Council, presumably in concert with the resurrected departmental *conseils généraux*, would remain the effective executive until the last French department was freed from enemy control. The Fighting French view is that the interim executive, however constructed, must be, in some manner representative of the known attitude of the underground resistance movement in France as well as of that of colonial governors and residents. Here, it appears, is a difference of principle that threatens to wreck the negotiations; though the outsider tends to interpret the difference to some extent in terms of prestige. There is genuine evidence that *Gaullisme* cuts more ice inside France than *Giraudisme*; and consequently that representation of the underground movement on the executive council would strengthen the Fighting French element in the merger. It must be admitted that the unwillingness of General Giraud to include such representation does support this interpretation. General Giraud's plan cannot be dissociated from the fact that he is obviously more acceptable to the inhabitants of North Africa and certain other overseas territories. There is a difference of principle on the score of how soon, and in what circumstances, metropolitan France is to regain influence over and control of its own destinies. This difference of principle is undoubtedly based in part on the varying personal interests of the two generals. Partisanship apart, it should be clear that from the first the executive council must be in touch with and must, in some measure, represent the underground movement. The future of France should not be compromised for a day longer than is necessary by the special political influences emanating from North Africa. Apologists of General Giraud ascribe many of his day to day decisions to his inability to escape from these influences. On the other hand, there can be no Fighting French claim to monopoly in contact with underground France, and the problem of choosing men who can truly represent the wishes of the silent people of France is not an easy one to solve. But it is the wishes of the French people, in and out of metropolitan France, which should decide. It would be a mistake for the American or British Governments by pressure, or for American or British public opinion by partisan advocacy, to prejudice the choice that has to be made.

Industrial Health

The growing interest in the nation's health generally and in workers' health in particular was reflected in a conference on industrial health organised by the Ministry of Labour in London last week-end. It was satisfactory to learn from the Minister of Health that his department is pressing on with its consultations with the medical profession and local authorities about the organisation of a comprehensive national medical service, and to note the emphasis laid by all the speakers on the importance of positive and preventive medicine. A very great deal has been done since the war in developing health and welfare services within the factories, and Mr Bevin is one of the few Ministers who can pride himself on having carried through aims which he dreamed of long before he became a Minister. The conference was primarily useful in focusing attention upon the urgent needs and problems to be faced, and in stimulating further efforts. In spite of what has already been done, there is little room for complacency. The death rate from tuberculosis has risen, dermatitis and other skin diseases are increasing, while absenteeism due to colds and influenza loses millions of man-hours of production each year. Fatal accidents in industry increased from 944 in 1938 to 1,345 in 1942, and non-fatal accidents from about 180,000 to 313,000 during the same period. The number of full-time works doctors—164—seems ridiculously small and 401 overburdened factory inspectors have to carry out the multifarious duties of inspection and enforcement of standards. Above all there is the vexed question of hours. There is abundant evidence to show that overlong hours of labour are taking their toll and reducing efficiency, especially among women and juveniles, and that the lessons of the last war, that excessive hours defeat their own object,

have not yet been fully learned. The recently formed Industrial Health Advisory Committee to the Minister of Labour might well start its career by a vigorous campaign against long hours of labour.

A Disappointing Campaign

The monsoon is again approaching. The campaigning season in Burma is coming to an end and, as an offensive operation, the advance into Arakan has failed. The facts are soon told. In the third week of December last, General Wavell's troops crossed the Burmese frontier and proceeded with little difficulty to occupy the towns of Maungdaw and Buthidaung. The Japanese retreated before them, and such fighting as took place amounted to no more than patrol clashes. There followed a slower and more arduous advance whose objective was generally believed to be the coastal air base of Akyab. By degrees, Allied forces occupied the mountainous jungle of Arakan and the Mayu peninsula as far south as the outskirts of Donbaik and Rathedaung. By the end of February, the advance had virtually petered out, although air attacks on enemy bases inland were maintained. The situation changed again in the middle of March, when the Japanese launched a considerable attack and Allied forces were forced to withdraw from the approaches to Rathedaung. The Japanese advance has not gone uncontested, but for the past month the Allied withdrawal has slowly continued, and the British force is back once more in the neighbourhood of Maungdaw and Buthidaung.

The Japanese claim to have won a major victory is precluded by the limited objective of the Arakan campaign. The coastal strip north of Akyab is separated from the heart of Burma by an impassable mountain range. Rightly or wrongly, the Wavell offensive did not aim at the recapture of Burma; nor has its recapture been prevented by the Japanese counter-offensive. Whether the British manoeuvre was purely defensive, the better to guard the Indian frontier, is less clear. It is more probable that the British force did fail to attain the limited objective of cleaning up the Mayu peninsula and securing the Akyab airfield. In which case, little is to be gained by concealing the fact. After all, the Arakan territory is a military *cul de sac*. Its loss is not catastrophic. No one, least of all the Chinese, can have imagined that an offensive taking north-western Burma as its starting point could free the mouth of the Burma Road.

Short Brothers

Much of the uneasiness caused in business circles by the decision of the Minister of Aircraft Production compulsorily to purchase the shares of Short Brothers under Defence Regulation 78, as a means of changing its board of directors, arose because the reasons for this drastic step were not sufficiently explained at the time. Last week the Prime Minister did much to kill rumours that it was "the thin end of the Socialist wedge," by saying that no measures of nationalisation would be undertaken without the agreement of Parliament and the people. Nevertheless, doubts remained about the need for a complete change of the company's executive, and for the acquisition of its shares without promise of return after the war. At this point the issue became a question, not of principle, but of fact, and only the Government could know all the facts. During a debate in the House of Lords on Tuesday enough was made known to suggest that, far from abusing his powers, Sir Stafford Cripps had done only what was necessary. Speaker after speaker, including the Earl of Listowel, Lord Brabazon (Minister of Aircraft Production after Lord Beaverbrook), and Lord Geddes, approved the Minister's action. Lord Listowel had information that "the state of affairs in this firm had been unsatisfactory for a very long time." Lord Brabazon said that, in spite of the assistance he was giving Short Brothers during his period of office, there was no improvement in production; if the Minister was compelled to take drastic action, "the blame rested entirely on the directors of Short Brothers." Lord Geddes, from personal observation, pointed out that "a tragedy of temperament as much as anything else" made Sir Stafford's action inevitable; at one time Short Brothers were taking

three times as many man-hours as another firm needed to produce a comparable aircraft. His only criticism was that the Government had not acted sooner. Lord Sherwood, on behalf of the Government, suggested that the attitude of the company's board of directors—"interference" in the "higher executive"—compelled the Minister to take up final steps of acquiring its shares. The debate has left the impression of an executive unequal to the task of expansion imposed upon it by the exigencies of the war. The removal of the executive will not necessarily destroy the individuality of the firm. Lord Teviot, who had initiated the debate, agreed at its end that "many of those who were perturbed about the situation will be reassured." On Wednesday, Sir Stafford Cripps informed the House of Commons that the results of a thorough inquiry carried out by Sir George Schuster and Mr Robert Barlow convinced him that action was necessary to safeguard production. If the Government had explained its case earlier, many doubts could have been avoided.

Agricultural Education

The report of the Departmental Committee under Lord Justice Luxmoore, which was appointed "to examine the present system of Agricultural Education . . . and to make recommendations for improving and developing it after the war," recommends an extension of the present system rather than any radical change in it. Agricultural education now exists in three tiers, the University departments at the top and the Farm Institutes, giving short courses of a practical nature, at the bottom, with the Agricultural Colleges midway. But, in addition to this, there is an extensive system of advisory specialists, who help the farmer on his farm to master his problems and improve his technique. These advisors are organised in 13 "provinces," the headquarters of which are located in every case at a university or college, and it is perhaps only for this reason of convenience that the advisory system is counted as part of education. But all these, as the Report very properly emphasises, rest on the basis of general elementary and secondary education, and the first recommendation must necessarily be for an extension and improvement of general schooling in country districts. On agricultural education proper, the Report's recommendations relate more fully to the organisation than to the content. They propose the creation of a National Council for Agricultural Education, responsible to the Minister, but not to the Ministry, of Agriculture. The Council should take over the farm institutes and increase their number, and it would also exercise a considerable degree of control over the colleges and university departments by grants of public money. This organisation would cut across the present powers of the County Councils, and there is a minority report by one of the members on this point. From the point of view of agricultural education by itself there can be little doubt that improvements in effectiveness would follow from a centralised system financed by the Exchequer. But is it right to divorce agricultural education so completely from the educational organisation as a whole? And if it is right for agricultural education, will it not also be right for many other special varieties of technical education? It is difficult to decide between the conflicting arguments, and the best solution would possibly be some form of dual control. Special varieties of technical education might perhaps be organised on a national basis, but made responsible not to the Ministry of Agriculture, the Board of Trade, the Ministry of Fuel and Power, and the other departments interested in their technical aspects, but to the Board of

The MERCANTILE BANK of INDIA LIMITED

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

Branches and Agencies Throughout the East.

EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED.

Trusteeships and Executorships Accepted.

Education, whose duty it would be to serve as the grand co-ordinator.

The agricultural advisory service, however, is something of a different nature, which must necessarily be organised nationally and under the Ministry of Agriculture. The Committee propose fewer, but larger, provinces, and they add a rather curious recommendation that the advisers should be stationed in university towns, some of them as large as Bristol, Birmingham and Leeds. The whole scheme would, it is estimated, cost a capital sum of £3,500,000, and an annual sum of £2,500,000, compared with the pre-war expenditure of £620,000. There can be no doubt that there is room for a very large improvement in the average standard of technical efficiency of British farmers, and if an extension of agricultural education on these lines would reduce by £2,500,000 a year the amount of subsidies that the state will be called upon to pay, it would be very cheap at the price. But before that can be hoped for, some steps will have to be taken to see that the average farmer benefits from what is offered to him. One of the chief weaknesses of agricultural education at present, at least in its higher branches, is that the farmers take far too little advantage of it. Wartime pressures and experiences may be changing this attitude; but the need for maximum efficiency is now so great that there may well be as good a case for the principles of universality and compulsion in agricultural education in the twentieth century as there was in elementary education in the nineteenth.

Science and the Future

Sir Stafford Cripps' appeal for more and better-trained scientists, and for the increased application of research in industry after the war, will be supported by scientists and industrialists alike. This country has tended to neglect its scientists in the recent past—according to a recent estimate, whereas the Soviet Union budget for science represented 1 per cent of the national income, Britain's is only 0.1 per cent and America's 0.3 per cent. The average Englishman receives little or no scientific education and the bulk of research has been financed by industry itself and carried on independently in industrial laboratories. The war has given a tremendous impetus to scientific research and to its application to practical problems, while a far better degree of co-ordination between the scientists of industry, the universities and the Government has been obtained. Sir Stafford gave an example of a wartime development, the brilliant work on radiolocation performed by wireless scientists, which has saved countless lives. These factors are bound to have permanent effects on post-war structure and organisation, and it is to be hoped that the same ingenuity and inventiveness will be shown in dealing with reconstruction problems as in making the weapons of war. The future commercial and industrial position of this country will depend upon the quality and standard of its products, rather than on their mass production, and if Britain does not maintain a high level of technical skill and adaptability to new methods, it may well be left behind. Scientists themselves have shown their desire to use their talents for the benefit of the nation as a whole and to assist in the full development of productive resources. As Sir Lawrence Bragg said at the recent meeting of the British Association:

Scientists are too often regarded as experts to call in when there are troubles, not as colleagues to call in when making plans.

If science is to play its full part in the future, more funds will have to be devoted to research, to education and to the modernisation of laboratory equipment and apparatus; closer relations will have to be established between the universities and industry and between the various research organisations; and above all, the basis of recruitment and training of scientific workers will have to be broadened and their status, when trained, improved.

Taxing Expenditure

The fact that the Chancellor of the Exchequer has thought fit, for two years in succession, to raise the whole of the additional revenue from indirect taxation may, imaginably, be the explanation of the re-emergence of suggestions for the switching of the emphasis of taxation

away from direct impost and towards taxes on commodities and services. The latest, and perhaps the most extreme exponent of these ideas is Mr Halford Reddish, chairman of Rugby Portland Cement. He would like to see in post-war years

a definite plan to abolish all direct taxes on the income of an individual. Such a system would (he says) give encouragement and incentive to do what is in the interest not only of himself but of the whole State is so essential in the post-war years—work hard and be thrifty. And labour would receive its due reward.

To do Mr Reddish justice, he is quite prepared to subsidise, when necessary, the simple necessities of life. For all else, he envisages a steeply graded series of luxury taxes and, very oddly, he regards this system as superior to direct taxation, because it bears less heavily on earned income. It is the lot of Chancellors to be misunderstood, but seldom can there have been so complete an inversion of anyone's motives as appears here. Sir Kingsley Wood—with complete justification—imposes heavy indirect taxes just because it does restrict demand, for all but the most essential goods and services, at a time when 100 per cent war effort is imperative. Mr Reddish hails it as a heaven-sent solution of our peacetime difficulties of unemployment and lack of demand, which, it seems, he regards as arising from under-saving. It is true that immediately after the war it will be highly desirable to limit expenditure so as to prevent acute competition for goods, most of which will continue in short supply. For this purpose, Mr Reddish's scheme would be a great success, but at the price of restricting luxury expenditure to the rich. Anything more regressive than such a plan it would be hard to imagine. It would mean that all taxation was designed to make the millionaire pay as little for each unit of goods subjected to tax as the family with a few shillings a week to spare after buying whatever might be considered "the simple necessities of life." It would wipe out all the advance in the practice of tax-raising of a century, and impose a tremendous brake on the demand for consumers' goods.

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
Total, 1942.....	3,221	4,149	7,370
1943:—			
January.....	328	507	835
February.....	252	347	599
March.....	293	439	732
Totals to date....	48,733	57,783	106,516

Of those killed in March, 116 were men, 136 were women, and 41 were children under 16. The March figure excludes the casualties in the London shelter disaster on March 3rd, when 33 men, 96 women, and 44 children lost their lives.

The Government has received the report on the London shelter disaster, but on security grounds has decided not to publish the conclusions. In announcing this in the House of Commons, last week, Mr Morrison stated that culpable negligence could not "properly" be included among the causes of the disaster. He added that rumours that it was caused by a Jewish panic, or induced by Fascists or criminals, were dismissed in the report as without foundation.

An Interdepartmental Committee on dentistry has been set up, under the chairmanship of Lord Terviot, to report on the progressive stages by which, having regard to the number of practising dentists, an adequate dental service can be made available to the whole population. Another of its terms of reference will be measures to be taken to secure an adequate number of entrants to the dental profession.

AMERICAN SURVEY

Hard Coal Smoke

(From Our Washington Correspondent)

THE current negotiations for a renewal of the anthracite contract that expires on April 30th between the mine operators and the United Mine Workers involve matters as various as Pennsylvania's political stand in the 1944 election, the balance of trade union leadership in the country, and the treatment of an important type of manpower problem.

Some time back, Mr John L. Lewis announced that he would fight for "substantial" wage increases; on March 6th the Tri-District convention at Scranton, representing 80,000 Pennsylvania hard coal miners, voted all but unanimously to present a list of demands, of which a \$2 a day raise over the present \$5.08 basic wage is the chief, but which also includes time-and-a-half for overtime over 35 hours, a one-year agreement instead of two, cancellable on 30 days' notice by either party, and the organisation of minor supervisory employees and foremen.

How does the situation look from a \$25-a-month shack in the neighbourhood of Wilkes-Barre? The hard coal industry has been on the down grade ever since the other war; 1917's peak production of 100 million tons shrank to 48 million in 1938 and rose only to 51 million in 1940 and about 56½ million in 1942. Oil burners effected the greater part of this shift; the pipe lines now under construction to the east coast promise more accessible supplies for them in the future than in the past. The companies have made little concerted effort to stay in the game as industrial patterns shift; the anthracite pay-roll dropped from \$230 million in 1917 to \$45 million in 1940. The resulting economic pressure on miners' families can be measured by the fact that during the decade 1933-42 \$169,238,000 was spent for WPA in the five anthracite counties and \$142,434,000 for other types of public assistance; in December 1941, 10.7 per cent of the population there was on relief as contrasted with 5.8 per cent elsewhere in Pennsylvania. The long-run view has for some years counselled the young people of the mine villages to get out whenever the going is good.

They have been getting out lately—one estimate puts the weekly exodus from Wyoming County at 1,000 men. The population is a mixture of Welsh-Scotch-Irish-Irish and Central European, with a Catholic tradition of large families. But the typical miner to-day is middle-aged or over. The youngsters are in the army or in war plants, not in the mines. (This fact may make the 48-hour week a paper plan as far as increasing production is concerned; what proportion of miners is physically fit to work it?) The earnings at the war plants bring home a striking contrast: in November, 1942, average weekly earnings in anthracite were

\$35.05; in aircraft \$46.44; in shipbuilding \$60.75. Some of the miners who have gone into a tank plant just down the line are making close to the shipbuilding average. So what's wrong with a \$2 a day increase if the country really needs coal as well as tanks to win the war?

It is on this economic pressure that Mr Lewis is counting. The union has been a central institution to the men in the mines. The Lewis machine has carefully absorbed local leadership wherever it has shown itself, and, on the evidence, it is entirely probable that the union members will stand firm behind the convention demands in the coming negotiations, even to the point of going out on strike if called. A strike call, if it takes place, will, however, set loyalty against loyalty. By and large, the miners politically are vigorously pro-Roosevelt. Mr Lewis's last-minute deal with Mr Willkie in 1940 was unpopular and is unforgotten. Patriotic fervour has given the Wilkes-Barre area an enlistment rate that is even within shooting distance of Texas. The miners are for the war effort. But suppose the President tells them that the war effort requires continued coal production at present rates? Mr Lewis's position as their economic champion might diminish Mr Roosevelt's political championship enough to make Mr Lewis really able to deliver the miners' vote in 1944.

Mr Lewis occupies the position of an outsider not only in respect to his political feud with the President; it also affects the trade union leaders who are taking a responsible part in war administration, and various parts of the machinery that they are attempting to operate.

The proposed \$2 a day wage increase exceeds the amount that might be provided under the "Little Steel formula." The War Labour Board, whose tripartite participating panel—industry-labour-public—includes AFL and CIO leaders, has just reaffirmed this formula by a seven-to-five decision in the Boeing aircraft case. In the Boeing case, the labour members, plus one of the representatives of the public, dissented from the decision; their grounds were that the increases proposed by the Board's investigator would not have been inflationary, and (more stressed) that the decision of the majority had been influenced by conversations with Mr Byrnes, the Director of Economic Stabilisation, which destroyed the War Labour Board's status as an independent tribunal.

Under such pressures, how long will the present wage formula stand? Moreover, manpower shortages are currently obvious, not at the end of the production line but at its beginning. For the occupations which depend on

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

Capital Authorised & Subscribed - £10,000,000
Capital Paid Up - £2,500,000
Reserve Fund - £3,000,000

Head Office: 10, CLEMENTS LANE, LOMBARD STREET; and 77, KING WILLIAM STREET, LONDON, E.C.4
London Wall Branch: 63, LONDON WALL E.C.2. West End Branch: 9, NORTHUMBERLAND AVENUE, W.2.
New York Agency: 67, WALL STREET.

Over 380 Branches, Sub-Branches and Agencies in South, East and Central Africa.

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED AT ALL BRANCHES AND AGENCIES

low-paid male labour there are no replacements in sight; the young people are going into the army or on to the production line; women cannot be used; the men who are left at work are getting older. Farming, lumbering and mining are top operations in this category. Will special arrangements not have to be made to keep workers in these vital trades on the job?

Senatorial Initiative

[FROM OUR WASHINGTON CORRESPONDENT]

March 29th.

THE resolution introduced into the Senate on March 16th by Senators Ball-Hill-Burton-Hatch is a new development in the US foreign policymaking process.

The content of the resolution is in itself interesting. It provides:

Resolved, That the Senate advises that the United States take the initiative in calling meetings of representatives of the United Nations for the purpose of forming an organisation of the United Nations with specific and limited authority—

(1) To assist in co-ordinating and fully utilising the military and economic resources of all member nations in the prosecution of the war against the Axis.

(2) To establish temporary administrations for Axis-controlled areas of the world as these are occupied by United Nations forces, until such time as permanent governments can be established.

(3) To administer relief and assistance in economic rehabilitation in territories of member nations needing such aid and in Axis territory occupied by United Nations forces.

(4) To establish procedures and machinery for peaceful settlement of disputes and disagreements between nations.

(5) To provide for the assembly and maintenance of a United Nations military force and to suppress by immediate use of such force any future attempt at military aggression by any nation.

That the Senate further advises that any establishment of such United Nations organisation provide machinery for its modification, for the delegation of additional specific and limited functions to such organisation, and for admission of other nations to membership, and that member nations should commit themselves to seek no territorial aggrandisement.

The resolution, however, is important irrespective of its content. It is a first attempt to formulate a bipartisan American foreign policy. Senator Ball, who introduced it, is a Republican from Minnesota; Senator Hill is a Democrat from Alabama; Senator Burton a Republican from Ohio; and Senator Hatch a Democrat from New Mexico. It is presented, therefore, by men from both sides of the political fence, and by men representing states in the Middle West, the South and the South West remote from either seaboard.

From the early days of the country, foreign policy has been as much a subject of party politics as any other item of national agenda—indeed, there was a period when about the only way to tell the aims of the Democratic and Republican parties apart was to note their difference of views on the tariff. Those were the days—and they lasted until yesterday afternoon—when the United States still maintained an amateur status in the field of world policy, when the luxury of a here-today-and-gone-tomorrow fluctuation of purpose with the ins-and-outs of the two party system was still feasible because of geographic remoteness. The four-Senator resolution is the first formal attempt to translate the sound of airplane engines into political procedure; to put the United States into the class of professionals who make foreign policy as part of their regular business.

That is a crucial difference in status. The amateur mood of the past is the mood in which Americans counselled each other to stay away from green tables lest professionals operating there take their shirts; it is a mood of benevolent remoteness, of absence of vital interest in the outcome, of charity without responsibility. The professional mood is a mood in which marbles are played for keeps; it is a mood of less charity and more consistency.

One previous event has foreshadowed this kind of American procedure. The destroyer-bases arrangement of the summer of 1940 was undertaken at the height of a Presidential campaign; by all the rules of American politics it was incredible that such a move should be undertaken, that the making of a partisan issue should be invited so soon before a vote. But because both candidates felt that it was vitally necessary to the country's safety, the arrangement was effected by the President and endorsed by his opponent.

The "B.H." resolution is therefore an important straw in the wind, indicating the country's feeling that foreign policy of the future must be far more broadly based than in

COMMUNICATIONS



THE ELECTRIC TELEGRAPH

IN 1839 Paddington was a fashionable resort. The new electric telegraph was one of the sights of London, and the Duke of Wellington was among the visitors to Paddington Station. Posters "respectfully informed" the public that they might view "this most interesting and extraordinary apparatus" for a charge of one shilling.

A Famous Arrest

The new telegraph soon achieved fame in connection with the detection of a murderer. That famous telegraphic message describing the murderer's appearance as "a man in the garb of a *kwaker*" (so spelt because there was no Q in the telegraphic code) gave the clue that brought the criminal to justice.

Progress of Science

To-day messages of every kind flash over our telegraph wires. But progress has brought us greater wonders in the submarine cable and wireless. In their development of a vast overseas service, Cable and Wireless Ltd. have played a prominent part in the history of modern communications. Swift and inexpensive messages, 'via Imperial,' are exchanged between the farthest corners of the world. The strain of wartime traffic is very great. It is not always possible to give the same service as in peacetime, but the Company and its staff are doing all that circumstances permit.

CABLE AND WIRELESS LTD.

The only British owned and operated Overseas Telegraph Company in this country



the past. The resolution is also of interest as an exercise of Senatorial initiative. In this respect it has company. Some half-dozen resolutions have already been introduced into the Senate—by individual Senators from both parties—with the general purpose of insuring an effective system of collective security. Senator Gillette, of Iowa, has proposed turning the Atlantic Charter into a series of binding treaties. Senator Thomas, of Utah, has called for a United Nations conference to set up a comprehensive programme of international economic co-operation. Senator Wiley, of Wisconsin, has urged the formation, by the President and the Senate, of a Foreign Relations Advisory Council to include, in addition to a technical staff, the Secretary and Under-Secretary of State and the chairmen and leading minority members of the Senate and House Committees dealing with foreign affairs, and other Senators designated by the President. Senator George, of Georgia, recently proposed the establishment of a sub-committee of the Committee on Foreign Relations; this was established under his chairmanship on March 23rd as the Senate Committee on Post-war Economic Policy and Planning. All of these moves have importance as a rehabilitation of the Congressional arm of government, whose rôle for the last decade has been either a passive recipient of Administration measures or an active critic of the way they were executed, with, latterly, a growing tendency to say "must not" to "must" legislation. This particular group of resolutions, moreover, has specific importance in relation to policy for the peace because of the historical precedent of what the Senate did last time. If, this time, the proposal the President sends to the Senate has been negotiated under a general instruction from that body, a good many of the psychological handicaps of the American constitutional system have been removed.

Or, at any rate, they would have been transferred to an agency that cannot rest on a veto. In this connection, the development of the Executive attitude with regard to the B.H. resolution has been interesting to watch. The resolution originated in February, in the course of some conversations between Senators Ball and Hill. Early in March, it was shown to Under Secretary of State Welles; on March 14th the four sponsors discussed it at the White House with the President and Senators Connally (chairman of the Foreign Relations Committee) and Wagner. Two days later, the President's attitude was thought to be cool, and Senator Connally said that while he favoured the establishment by the United Nations of an international agency

to preserve peace, there were several resolutions that had this in view, and as to Senate Resolution 114, "neither the White House nor the State Department has indicated to me approval of the resolution in its present form." On March 19th, however, the President gave his press conference to understand that, on the contrary, he endorsed the broad principles of the measure; on March 22nd Secretary Hull said that a Senate declaration for a post-war collective security system would be helpful at home and abroad.

Most interesting of the endorsements, as further evidence of the tendency to broaden the base of legislative commitment to whatever policy is adopted for the peace, was the round robin supporting the Ball-Hill-Burton-Hatch resolution signed by 26 of the 55 Republican freshmen in the House of Representatives. It read in part: "There are some people who contend that these things should not be discussed or agreed upon until the war is won. We disagree. The American people are looking to their leaders in Congress of whatever party to exercise real statesmanship so that there may be no repetition of the present tragedy. Our nation alone cannot police the world. Our nation alone cannot prevent wars. The world can progress toward permanent stabilisation of peace only through the collaboration of its component peoples. To deny this is playing false with the thousands who are risking or losing their lives not alone to defend the nation, but to save the future from the same fate."

But from the chairman of that same committee, Congressman Bloom, of New York, came a different type of comment. Mr Bloom said that the resolution is "an example of the disjointed and scattered thinking that is going on both without and within Congress." At the same time, however, he subscribed to the broadening of the base of future foreign commitments by urging that the House take part in any legislative measures regarding post-war policy—such proposals to be jointly studied and framed as a concurrent resolution of both Houses.

The next stage of the Ball-Hill-Burton-Hatch resolution is submission to a sub-committee created on March 25th by Chairman Connally, and headed by him, to study all resolutions concerning the United Nations. Its members, besides himself, are: Senators Barkley, George, Gillette, LaFollette (who has called the B.H. proposal "an extreme manifestation of futility"), Thomas, of Utah (who has given public support to the measure), Vandenberg and White. Meanwhile, the country will also consider it.

THE WORLD OVERSEAS

Canadian Propaganda Policy

(From Our Ottawa Correspondent)

IN the war for men's minds, Canada has lagged behind. From recurring controversy over public information policy, one may judge that Canadians have become keenly aware of this defect in general war policy. Should not Canada's part in the war be better known? This question arises from time to time, in the press and in Parliament. Canadian opinion has become sensitive to misinformed or ignorant comment concerning Canada, and tends to regard it as malicious. When an American isolationist of pre-Pearl Harbour vintage remarked that Canada was exacting cash on the barrelhead for everything it was doing to help the cause of freedom, he provoked the first crisis in Canadian information policy.

Since the day in 1939 when the Bureau of Public Information was created as a war agency, information policy has undergone many changes. First under Mr Walter Thompson, veteran publicity director of Canadian National Railways, then under his assistant, Mr Herbert Lash, the Bureau was mainly a fact-issuing agency. There was sharp criticism of the volume and, in some instances, of the content of the hand-out material. Last year, Mr Charles Vining, chairman of the Canadian Newsprint Bureau, conducted a survey of information problems in Canada and the United States, and as a result the Wartime Information Board, with Mr Vining as chairman, was organised to replace the old Bureau. Now Mr John Grierson, com-

missioner of the National Film Board, has replaced Mr Vining. Throughout these changes, there has been no accepted propaganda policy, no prevailing concept of its function.

War information in Canada, in its initial phases, was merely a matter of issuing publicity releases, in the undistinguished manner followed in peacetime by most departments of government. Anything else would have been regarded with suspicion. Anything else would have been propaganda which, as everyone knew, was a bad thing.

In 1941, the Department of External Affairs appointed a press attaché to its Washington legation. In 1942, Canadian information centres were opened in Washington and New York. A similar centre was to be opened in London. The function of supplying facts and figures to fill an existing demand for information concerning Canada was accepted as a legitimate enterprise where the manufacture of synthetic propaganda would have been objectionable, both to Canadians and Americans. Canadians visiting the United States brought back conflicting reports regarding the success of British information activities in that country. Australia seemed to enjoy as good a press in the United States as any country, a fact related to the presence of American forces in the South-West Pacific.

The question of publicity in the United States over-

shadowed other considerations in the controversy on information policy. It is now apparent that the controversy was indecisive, and some of the reasons why it should be so are also apparent. The voice of Canada was muffled and uncertain abroad, because it was muffled and uncertain at home. "Each outburst of unjustified criticism," said Philippe Picard, M.P., "of the quality and extent of our participation is meat for the United States isolationists and their propagandists, and it works ultimately against the interests of the British cause."

Canada's New Status

But no one was ready to propose that freedom of criticism should be restricted, except where precise military considerations existed. There was no clear frame for Canadian thinking about Canada, and therefore no clear frame in which to present an exterior view of Canada. The old view was no longer valid. The slow change of twenty-five years had transformed this Dominion, but it was largely unnoticed abroad and often ignored at home. Instead of playing a rôle as adjunct to British policy and as supplier of a few divisions to the British Army, Canada came into a distinctive rôle of its own in this war, of which the visible symbols are a separate military alliance with the United States, an independent war economy immeasurably more productive than even Canadians suspected, and substantial land, sea and air forces which are steadily achieving independence in operational status. Canada has separate membership on nine international boards created in this war.

With this growth has come a surge of Canadian nationalism. It is something new to visitors from Britain. It is deplored by resident imperialists. It is a shock to visiting Americans. But it is inevitable. It countervails imperialism within the British Commonwealth, and it is one of the most substantial checks against American imperialism. It is a new international factor still largely unrecognised on a strange world landscape in which so many factors are new.

This is the new framework of Canadian thought, the basis of Canadian propaganda. Canada is an example of a free democracy with the British Commonwealth. It offers a propagandist example of free and full mobilisation, of full conversion from peace to war, of full response to the cause of freedom in a hemisphere distant from battlefronts and traditionally isolationist. A new positive pattern of thought has been crystallising in Canada, in a great flux that gave a surface reflexion of confusion and uncertainty.

One man who had realised that here was a new frame for positive information, or propaganda policy, was John Grierson. His career in making documentary films in Canada since he left England in 1938 has been, in the words of Hollywood, colossal. The National Film Board produced 200 films last year, all of them short, many of them specialised for armed forces or war plants. But it has 65 travelling theatres showing free films. It distributes through 30 central film libraries. Its series "Canada Carries On" plays in 700 Canadian theatres each month. Its series "World in Action" goes to 4,000 US cinemas. Its "Front in Action" films are shown in the United Kingdom, Australia, South Africa, New Zealand and South America. Its sound tracks carry seven languages besides English. Grierson's films represent a positive pattern of thought and feeling about Canada, and Canada's rôle in the world, that is new. They attempt to create the kind of atmosphere in which men and women will recognise their relation with the vast drama of affairs, and in recognising it put forth their best efforts, not by legalistic compulsion, but by knowledge of what is at stake in the present conflict and in the future. This is Grierson's philosophy of propaganda. It is the missing clue to a positive information policy which has hitherto been lacking.

Financial Occupation of Holland

[BY A CORRESPONDENT]

Cut off from its overseas resources, Holland was reduced to the level of Germany's war economy, and, since the beginning of 1942, the deterioration has been more marked than in Germany. At the beginning of the occupation, the German commissars were faced with a dilemma. After

they had taken stock of Holland's raw materials and industrial capacity, they declared a price stop, fixing the prices at the level of May 9, 1940, as the maximum. But effective economic incorporation made it necessary to increase Dutch prices to the level that obtained in Germany. Gradually, all prices were increased, and it may be estimated from very incomplete data that the main agricultural products, such as butter and eggs, had to be increased to roughly 80 per cent to reach the German level. In January, 1941, a price commissar was appointed, and the five price inspectors working under him were enabled to inflict fines or close down businesses if the price regulations were violated. Retail prices can be controlled comparatively easily if there is no breakdown in civil administration. The chief difficulty is price costing in industry, particularly if there is a change in materials and methods of manufacture. The price stop is a very unsatisfactory basis, and consequently the powers of the new price commissar were extended in October, 1942. All matters relating to prices, which had been dealt with by the different Ministries, have now been entrusted to the price commissar, and the general procedure is to fix arbitrarily the prices of manufactured goods according to the cost of production of the more efficient firms.

New Taxes

The alignment of Dutch and German economic conditions demanded a drastic change in taxation methods and finance. Step by step, the German financial system has been introduced. At first, a general increase in taxation was attempted, which was not very successful. Immediate results were necessary and, in quick succession, the wages tax, the corporation and property tax and the turnover tax were either introduced or modified after the German model. It is of interest that the reorganised turnover tax amounts to 2½ per cent, against only 2 per cent in Germany. The corporation and excess profits taxes are slightly smaller. But the combined effect of the corporation tax and the property tax makes it impossible for most of the companies to maintain their profits, and there are now hardly any companies which could pay dividends exceeding the stop fixed at 6 per cent. The financial result of the new taxes is impressive. Total revenue increased from Fl 925 millions in 1940 to Fl 1,219 in 1941 and Fl 1,450 in 1942.

As in Germany, the share market presented the most troublesome problem for the new economic administration. The changes in share quotations on the Amsterdam bourse were extraordinary. The share market was the only outlet for idle capital, and the fortunes of war, especially in the Far East, were the basis of many speculative movements. After the reopening of the bourse, there was a tremendous rise in German shares, but the announcement that all dealings in blocked Reichsmark investments, and the transfer of such capital through the clearing from Germany, would be subject to taxation brought all transactions in German securities to a standstill. Later in 1941, interest was concentrated on the shares of firms which were working on German orders. After the abolition of the exchange frontier and of the special tax on blocked Reichsmark accounts in the autumn of 1941, there was speculation in East Indian and American shares. This was countered by the announcement that East Indian shares could no longer be used as security for loans. But neither the dividend stop nor the introduction of all the methods used in Germany to curb speculation could retard the upward trend in share quotations. Finally, the registration of shares was decreed, and the most recent measure is the introduction of a quotation stop, which has restricted dealings to a minimum. Quotations must not exceed the share prices obtained on November 9, 1942.

The large German clearing debt, a reconstruction fund and, finally, a state fund used as a basis for financial assistance to closed-down firms, all required unprecedented public borrowing. Investment-seeking capital had therefore to be diverted to state loans and Treasury bills. This was not difficult, and the total debt increased from Fl 4,219 million at the end of 1939 to Fl 8,352 million at the end of 1942. The interest rate was successively reduced to the German standard, amounting to 3½ per cent. Three items in the reports of the central bank are of particular interest:

(In million Fl.)

	1940	End of 1941	1942
Dutch bills	253	3.1	159
Foreign bills	15	930	1,615
Notes in circulation	1,552	2,116	2,912

The increase in foreign bills shows that the German clearing debt has been taken over by the central bank. In this way Holland pays the costs of occupation.

It is hardly surprising that conditions in Holland led to the hoarding of banknotes. On April 1st this year, banknotes of Fl 500 and Fl 1,000 ceased to be legal tender. Holders can offer these notes to the Treasury as advance payment for taxes, a move which is designed to stop hoarding as well as tax evasion. Wage and salary earners, as well as small business men, did not respond to the appeal to deposit their money in savings banks. Total deposits in two-thirds of the savings banks which published regular statistics decreased from Fl 1,185 millions at the end of 1939 to Fl 915 millions at the end of 1941. During 1942, however, deposits exceeded withdrawals, and total deposits stood at Fl 1,007 millions at the end of the year. The increasing concentration of industries and the diminishing supplies on the black market are probably the reasons for this increase. During the decline in small savings, there was a considerable increase in new insurance policies from Fl 348 millions in 1940 to Fl 628 millions in 1941 and Fl 945 millions in 1942. The annual reports of the banks reflect these financial movements; during 1942, the greater strain on finances is shown by the fact that advances as well as deposits decreased. As a virtual province of Germany Holland has been ravaged beyond recognition, and the very doubtful participation in the promised exploitation of Russian provinces by the East Company must be a poor compensation even for ardent Dutch Nazis.

Rationing in Portugal?

[FROM OUR LISBON CORRESPONDENT]

March 27th

MAIN necessities may be rationed here, after an elaborate investigation by a consumers' enquiry board has been completed. This will take time. "A few weeks" is the official estimate, and a speaker in the National Assembly hoped that the weeks would not be long and that in the interval

distribution would not be criminally altered. Had the question of rationing been taken in hand a year ago, concluded the speaker, there would not have been the pitiful sight of queues of poor people waiting for hours on end.

Charcoal, soap and oil are the main items affected. In Lisbon people slept outside the oil shops to be on time for their purchase of 200 c.c. next morning. Oil is the most important item, providing as it does both food and light for the working classes, whose illuminant was mostly paraffin when that was obtainable. Rationing is welcomed, but promptitude in its application is of first importance, since it is a general and well-founded belief that present difficulties are due, not to shortage of stocks, but to hoarding at source, coupled to a small extent with transport difficulties. What makes popular opinion even more bitter is the knowledge that the scarcity and rising prices cannot be laid to foreign account, but could be cured by drastic official action, directed towards the instant control of stocks, which large holders find ways of selling at figures out of all relation to production costs.

Foreign Companies

The new measure calling for the nationalisation of certain types of foreign limited companies now carrying on business here has not been published for the second time in the official gazette; as a result, it has not yet the force of law. These are those who believe the publication may well be indefinitely delayed. Meanwhile, the National Assembly is discussing another measure of importance to the business world. It proposes that companies, other than those engaged in banking and insurance, both of which are already liable to official inspection, should be given state-appointed representatives, to ensure that their operations are conducted in such a way as may best contribute to the common good. It is not designed to use the proposed measure as a weapon of offence against commercial undertakings in general. Commercial opinion is not, however, entirely satisfied with this statement. For, however sound may be the basic intention, actual practice in other connections has shown a tendency to widen bureaucratic interference with everyday trade.

WHITE PAPER STATISTICS

The first pair of tables below present the salient figures of the Budget estimates of revenue and expenditure for the current financial year. They have been compiled from the "Financial Statement (1943-44)" (4d. net). The remaining tables include virtually all those contained in "An Analysis of the Sources of War Finance and an Estimate of the National Income and Expenditure in 1938, 1940, 1941 and 1942" (Cmd. 6438, 6d. net), though in some cases with a measure of compression. The text of the comment upon the tables, though derived from the White Paper, is by The Economist, except where placed in quotation marks.

The Budget

[REVENUE (£000)]				
	Budget Estimate 1942-43	Actual Receipts 1942-43	Estimate for 1943-44	
			On Basis of Existing Taxation	After Proposed Tax Changes
Inland Revenue:				
Income tax	913,000	1,006,828	1,175,000	1,175,000
Surtax	78,000	75,358	80,000	80,000
Estate duties	90,000	93,336	100,000	100,000
Stamps	15,000	15,280	17,000	17,000
Nat. Defence contribution	425,000	30,635	500,000	500,000
Excess profits tax		346,887		
Other inland revenue	1,000	950	1,000	1,000
	1,522,000	1,569,274	1,873,000	1,873,000
Customs and Excise:				
Customs	438,295	459,489	464,500	525,320
Excise	366,705	425,300	408,500	450,180
	805,000	884,789	873,000	975,500
Motor vehicle duties	34,000	28,537	25,000	25,000
Total Tax Receipts	2,361,000	2,482,600	2,771,000	2,873,500
Canadian Govt. contribution	225,000	224,719	400	400
Post Office net receipt	10,000	12,377	400	400
Wireless licences	4,300	4,560	4,700	4,700
Crown lands	800	1,000	800	800
Sundry loans	5,000	4,062	4,100	4,100
Miscellaneous	21,000	90,533	24,000	24,000
Total Ordinary Revenue	2,627,100	2,819,881	2,805,000	2,907,500

EXPENDITURE (£000)			
	Budget Estimate 1942-43*	Exchequer Issues 1942-43	Estimate 1943-44
Consolidated Fund Services:			
Interest and Management of National Debt	325,000	310,801	375,000
Payments to Northern Ireland	9,500	9,198	9,500
Other Consolidated Fund Services	7,800	7,389	7,500
Total	342,300	327,388	392,000
Supply Services (excluding Post Office):			
Defence Token Votes	4	4	4
Civil Votes	446,682	437,658	444,652
Revenue Departments	18,519	18,118	19,458
Votes of Credit	4,900,000	4,840,000	4,900,000
Total Supply Services	5,365,205	5,295,780	5,364,114
Total Ordinary Expenditure	5,707,505	5,623,168	5,756,114
Sinking Funds	...	14,199†	...
	5,707,505	5,637,367	5,756,114
Self-Balancing Revenue and Expenditure:			
Post Office	102,523	102,523	110,632

* Including Supplementaries.

† In addition, sinking fund payments amounting to £172,000 were made outside the Permanent Debt Charge.

In comparing the estimates for 1943-44 with those for the previous year, two changes in practice should be noticed. (1) The Canadian Government Contribution disappears from the accounts, as Canadian supplies are now to be provided on terms similar to Lend-Lease, without financial compensation. This change affects both

revenue and expenditure. (2) In order to save manpower, the Post Office is no longer to make any charge to Government Departments for inland telephone and telegraph services. This is estimated to reduce Post Office revenue by about £17 millions.

War Finance

A.—The Sources of War Finance

	(£ millions)		
	1940	1941	1942
Central government expenditure.....	3,339	4,616	5,103
Less Overseas disinvestment	756	797	632
Expenditure requiring domestic finance.....	2,583	3,819	4,471
Less Central government revenue	1,259	1,828	2,343
	1,324	1,991	2,128
Less Extra-budgetary funds and local authority surpluses	186	220	231
	1,138	1,771	1,897
Less Compensation received in respect of war risks and war damage claims	36	248	215
	1,102	1,523	1,682
Less Savings and undistributed profits, including reserves against taxation	1,080	1,323	1,509
Residue	22	200	173

The residue shown in this table is the amount of net domestic disinvestment, as shown in the National Income tables below. It is made up of (a) sales to public authorities of fixed capital assets previously owned privately; (b) sinking funds and depreciation funds of firms and institutions; (c) depletion of stocks and working capital; less (d) new investment out of private funds; (e) replacements and renewals charged on depreciation funds; and (f) replacements of war losses actually carried out.

The above figures incorporate important revisions from those in last year's White Paper. The figures for "savings and undistributed profits" have been put up from £823 millions to £1,080 millions in 1940, and from £1,028 millions to £1,323 millions in 1941. The effect is to reduce the "Residue" from £286 and £493 millions respectively to £22 and £200 millions. These changes, it is stated, arise from "more accurate estimates of certain items as a result of additional information that has become available since last year."

B.—Personal Expenditure at Constant Prices

	(£ millions)			
	1938	1940	1941	1942
(1) Food.....	1,198	1,235	1,260	1,320
(2) Drink and tobacco.....	452	617	750	912
(3) Rent, rates and water charges	500	524	521	520
(4) Fuel and light.....	194	210	233	242
(5) Other household goods	261	251	241	241
(6) Clothing.....	441	496	450	462
(7) Travel, including privately-owned vehicles and their running expenses	296	185	202	215
(8) Other services.....	468	461	469	465
(9) Other goods including the income issued in kind to H.M. Forces and Auxiliary Services	225	303	383	423
(10) Personal expenditure on consumption at market prices	4,035	4,282	4,509	4,800

This table is entirely new and the result of a comprehensive enquiry. It should be noted that it covers only personal expenditure on consumption; money spent on

consumers' goods and services by businesses and public authorities is excluded. The figures for 1938 are not widely different from private estimates made before the war. The changes between 1938 and 1942 show a number of divergent trends—such as the great rise in drink and tobacco and the fall in "other household goods" (the category perhaps most affected by raw material shortages). It is to be hoped that in future years it will be possible to subdivide the item of "other services."

C.—Consumption Expenditure at Constant Prices

	(£ millions)			
	1938	1940	1941	1942
Personal expenditure on consumption at market prices	4,035	4,282	4,509	4,800
Plus Subsidies.....	15	70	142	150
	4,050	4,352	4,651	4,950
Less Indirect taxes specifically on consumption	431	—578	—770	—931
Personal consumption thus adjusted.....	3,619	3,774	3,881	4,019

The above figures are merely variants of those in the previous table. Estimates have also been made of the average change in prices of the bulk of the goods involved—i.e. of all those except the income issued in kind to the Services. The method of calculation was "by taking the average of the change between 1938 and 1942 in the cost at market prices of buying the collections of goods and services bought in 1938 and 1942 respectively." The results are as follows:—

	1938	1940	1941	1942
Proportionate change in—				
(1) Personal expenditure on consumption at market prices, including indirect taxes and excluding subsidies	1.00	1.06	1.11	1.19
(2) Personal expenditure on consumption, excluding specific indirect taxes and increased by subsidies	1.00	1.04	1.07	1.11
(3) Personal expenditure on consumption in terms of constant prices	1.00	0.88	0.82	0.82
(4) Retail prices, excluding specific indirect taxes and increased by subsidies	1.00	1.18	1.30	1.36

These figures are subject to qualifications which are set out in detail in the White Paper. In particular, it should be noted that "retail prices" are usually defined as including specific indirect taxes and excluding subsidies. On this definition, the price rise would be line (1) divided by line (3), giving figures of 1.00, 1.20, 1.35 and 1.45 respectively. Neither set of figures, of course, must be confused with indices of "the cost of living" with the specialised meaning that has become customary.

D.—Private Savings

	(£ millions)			
	1938	1940	1941	1942
Personal Savings—				
Gross personal savings, inc. allowance for accrued taxation.....	241	807	1,004	1,271
Less Death duties, etc.	—90	—85	—94	—100
Net personal savings	151	722	910	1,171
Less increase in allowance to meet accrued taxation....	—17	—94	—206	—280
Net personal savings after allowance for accrued taxation.....	134	628	704	891
Impersonal Savings—				
Gross impersonal savings, including allowance for accrued taxation	182	358	413	338
Less increase in allowance to meet accrued taxation....	—12	—183	—233	—148
Net impersonal savings, after allowance for accrued taxation.....	170	175	180	190
Net Private Savings (Personal and Impersonal)—				
Aggregate net private savings after allowance for accrued taxation.....	304	803	884	1,081

The most interesting points in this table are (a) the great increase in aggregate savings—more than threefold; and (b) the stability of impersonal savings after allowance is made for taxation. Reference to Table II below shows that this is entirely due to the weight of EPT and other taxation. The totals show considerable increases over the previous estimates, owing to fuller information.

E.—Proportion of Private Income (Personal and Impersonal) Devoted to Taxation

	(£ millions)			
	1938	1940	1941	1942
(1) Private income	4,920	6,156	7,063	7,836
(2) Direct taxes, social insurance contributions of employees, War Damage Act contributions and premiums, etc., met out of private income	552	794	1,231	1,527
(3) Indirect taxes and rates specifically on consumption less subsidies	416	508	628	781
(4) Other indirect taxes, etc., met out of private income....	170	200	240	220
(5) Excess of tax liabilities over payments.....	29	277	439	428
(6) Total tax liabilities in respect of private income, i.e., (2) + (3) + (4) + (5).....	1,167	1,779	2,538	2,956
		(percentages)		
(7) Line (6) as a percentage of line (1)	24	29	36	38

The method followed in this table is somewhat different from that of the corresponding table of last year's White Paper, which compared the total of taxation with the whole National Income. This, however, involves some distortion, since a certain proportion of the sums raised by taxation is, in effect, met out of the expenditure of public authorities. The above method is, therefore, more correct, though it results in somewhat lower percentages (e.g., last year's percentage for 1941 was 40.)

National Income

I.—NET NATIONAL INCOME AND EXPENDITURE (£ millions)

	1938	1940	1941	1942		1938	1940	1941	1942
1. Rent of land and buildings	381	389	385	384	6. Personal expenditure on consumption at market prices	4,035	4,282	4,509	4,800
2. Profits and interest.....	1,241	1,624	1,926	2,183	7. Expenditure at home and abroad, by public authorities, on goods and services at market prices	845	3,059	4,194	4,608
3. Salaries, and the pay and allowances (in cash and kind) of officers in H.M. Forces and Auxiliary Services	1,081	1,288	1,338	1,408	8. Private net investment at home and war losses made good	287	(—22)	(—200)	(—173)
4. Wages, and the pay and allowances (in cash and kind) of other ranks in H.M. Forces and Auxiliary Services.....	1,787	2,425	2,970	3,409	9. Private and government net investment abroad.....	—55	—756	—797	—632
5. Net national income	4,490	5,726	6,619	7,384	10. Subsidies.....	15	70	142	150
					Less				
					11. Indirect taxes and rates specifically on consumption.....	—431	—578	—770	—931
					12. Other indirect taxes, rates, etc.....	—206	—205	—220	—239
					13. War risks insurance premiums	—	—124	—239	—199
					14. Net national expenditure	4,490	5,726	6,619	7,384

The figures for previous years have been revised. In last year's White Paper net national income was given as £4,595 million in 1938, £5,585 million in 1940, and £6,338 million in 1941. The increases in the war years are due to upward revisions of the estimates both of personal expenditure on consumption and of personal savings. This has the effect (though it does not show in the above table) of reducing the figure for domestic disinvestment, which is arrived at by subtracting net national income from total private-plus-Government expenditure at home.

There can be very little doubt that the new figures are closer to reality than the old. That there is some net domestic disinvestment is unquestionably true; but it was difficult, in previous years, to accept that its magnitude could be quite as large as the estimates showed.

The increases from year to year in net national income are now shown, on the revised figures, to have been 27.5% in the two years 1938-40, 15.6% between 1940 and 1941, and 11.6% between 1941 and 1942.

F.—Distribution of Private Income

FINANCIAL YEAR 1940-41					
Range of Gross Income	Number of Incomes	Aggregate Gross Income 1940-41	Aggregate Net Income with Income Tax and Surtax at—		Proportion of Gross Income Retained with Taxes at—
			1938-39 Rates	1940-41 Rates	
£	000's	£m.	£m.	£m.	%
Private income at the disposal of individuals—					
Under 250	...	3,328	3,322	3,302	99.8
250-500	3,295	1,069	1,036	984	96.9
500-1,000	770	516	457	411	88.6
1,000-2,000	250	345	283	245	82.0
2,000-10,000	97	360	256	197	71.1
10,000 and over	8	170	84	48	49.4
Other private income	...	624	...	210	...
Total private income	...	6,412	...	5,397	...

FINANCIAL YEAR 1941-42					
Range of Gross Income	Number of Incomes	Aggregate Gross Income 1941-42	Aggregate Net Income with Income Tax and Surtax at—		Proportion of Gross Income Retained with Taxes at—
			1938-39 Rates	1941-42 Rates	
£	000's	£m.	£m.	£m.	%
Private income at the disposal of individuals—					
Under 250	...	3,398	3,392	3,307	99.8
250-500	4,450	1,490	1,445	1,276	97.0
500-1,000	1,050	685	613	495	89.5
1,000-2,000	285	400	328	245	82.0
2,000-10,000	97	360	256	170	71.1
10,000 and over	8	170	84	35	49.4
Other private income	...	761	...	200	...
Total private income	...	7,264	...	5,728	...

II—PRIVATE INCOME AND OUTLAY (£ millions)

	1938	1940	1941	1942		1938	1940	1941	1942
15. Rent of land and buildings, profits and interest (including National Debt interest and interest accrued on National Savings Certificates) received by persons	1,515	1,648	1,650	1,811	25. Personal expenditure on consumption adjusted for subsidies and specific indirect taxes, rates, etc.	3,619	3,774	3,881	4,019
16. Salaries, and the pay and allowances (in cash and kind), of officers in H.M. Forces and Auxiliary Services	1,081	1,288	1,338	1,408	24. Excess of indirect taxes and rates specifically on consumption over subsidies	416	508	628	781
17. Wages, and the pay and allowances (in cash and kind), of other ranks in H.M. Forces and Auxiliary Services	1,787	2,425	2,970	3,409	25. Direct tax payments other than death duties, etc., and War Damage Act contributions and premiums met out of personal income	385	537	715	825
18. Pension payments	151	151	178	200	26. Death duties and stamps on the transfer of property	90	85	94	100
19. Payments in respect of unemployment and the relief of poverty	112	64	30	18	27. Excess of direct tax liabilities on personal income over payments	17	94	206	280
20. Health payments	35	35	33	39	28. Net personal savings after setting aside the excess of direct tax liabilities over payments	(134)	(628)	(704)	(891)
21. Other transfer payments	...	15	29	11	29. Personal outlay	4,661	5,626	6,228	6,896
22. Personal income before tax	4,661	5,626	6,228	6,896	32. National Defence Contribution and Excess Profits Tax payments	15	68	231	348
30. Impersonal income before tax	259	530	835	940	33. Other direct tax payments including War Damage Act contributions and premiums met out of impersonal income	62	104	191	254
31. Impersonal income before tax	259	530	835	940	34. Excess of direct tax liabilities on impersonal income over payments	12	183	233	148
37. Private income before tax (sum of items 22 and 31)	4,920	6,156	7,063	7,836	35. Net impersonal savings after setting aside the excess of direct tax liabilities over payments	170	175	180	190
					36. Impersonal outlay	259	530	835	940
					38. Private outlay (sum of items 29 and 36)	4,920	6,156	7,063	7,836

III.—GOVERNMENT EXPENDITURE AND THE SOURCES FROM WHICH IT WAS FINANCED (£ millions)

	1938	1940	1941	1942		1938	1940	1941	1942
39. Central government revenue	891	1,259	1,828	2,343	49. Central government revenue	891	1,259	1,828	2,343
40. Net personal savings including allowance for accrued taxes	151	722	910	1,171	50. Unemployment Fund	—1	24	64	74
41. Undistributed profits after payment of taxes and War Damage Act contributions and premiums but including allowance for accrued taxes	182	358	413	338	51. National Health Funds	...	9	8	12
42. Surplus on extra-budgetary funds	22	148	154	151	52. Local Loans Fund	—2	5	9	10
43. Local authority surplus	7	38	66	80	53. Other extra-budgetary receipts including war risks insurance and certain War Damage Act receipts, Exchange Equalisation Account and reduction in Exchequer balance	258	515	73	—47
44. Compensation received in respect of claims under the marine and commodities war risks insurance schemes and the War Damage Act	...	36	248	215	54. Reconstruction Finance Corporation loan	...	...	87	4
45. Private net investment (or plus disinvestment) at home and war losses made good	—287	22	200	173	55. Canadian Government interest-free loan	...	...	...	157
46. Private and government net investment (or plus disinvestment) abroad	55	756	797	632	56. Receipts from capital transactions included in miscellaneous revenue, and appropriations in aid arising from capital transactions	5	10	10	10
47. Central government deficit	130	2,080	2,788	2,760	57. Sinking funds	—11	—12	—17	—13
48. Central government expenditure	1,021	3,339	4,616	5,103	58. Other expenditure (net)	4	—8	13	—1
					59. Finance through government agencies	253	543	247	206
					60. Post Office and Trustee Savings Banks	1	119	214	234
					61. National Savings Certificates including increase in accrued interest	3	168	213	231
					62. Defence Bonds	...	180	174	134
					63. Other public issues (net)	62	552	1,021	1,026
					64. Increase in fiduciary issue	10	50	150	170
					65. Increase in Treasury bills held outside government departments and Bank Ways and Means	—199	130	279	151
					66. Treasury deposit receipts	...	338	473	155
					67. Tax reserve certificates	...	...	17	453
					68. Public borrowing at home	—123	1,537	2,841	2,564
					69. Central government expenditure	1,021	3,339	4,616	5,103

IV.—THE INCOME, DEFICIT AND EXPENDITURE OF PUBLIC AUTHORITIES (£ millions)

	1938	1940	1941	1942		1938	1940	1941	1942
<i>Direct taxes, War Damage Act contributions, etc.</i>					<i>Subsidies</i>				
70. Central government	497	734	1,089	1,390	90. Central government	15	70	142	150
71. Extra-budgetary funds	55	60	142	137	91. Extra-budgetary funds	...	...	...	...
72. Local authorities	...	...	...	...	92. Local authorities	...	...	...	...
73. Total	552	794	1,231	1,527	93. Total	15	70	142	150
<i>Indirect taxes, rates, war risks insurance premiums, etc.</i>					<i>Payments in respect of claims under the marine and commodities war risks insurance schemes and the War Damage Act</i>				
74. Central government	372	502	705	883	94. Central government	...	...	...	...
75. Extra-budgetary funds	54	182	304	272	95. Extra-budgetary funds	...	36	248	215
76. Local authorities	211	223	220	214	96. Local authorities	...	...	...	...
77. Total	637	907	1,229	1,369	97. Total	...	36	248	215
<i>Miscellaneous income from public property trading, etc.</i>					<i>Transfer payments</i>				
78. Central government	22	23	34	70	98. Central government	318	343	394	441
79. Extra-budgetary funds	26	26	31	33	99. Extra-budgetary funds	137	117	101	103
80. Local authorities	...	...	...	...	100. Local authorities	23	19	14	11
81. Total	48	49	65	103	101. Total	478	479	509	555
<i>Deficit</i>					<i>Expenditure on goods and services</i>				
82. Central government	130	2,080	2,788	2,760	102. Central government	464	2,680	3,831	4,254
83. Extra-budgetary funds	—22	—148	—154	—151	103. Extra-budgetary funds	14	13	12	13
84. Local authorities	—7	—38	—66	—80	104. Local authorities	367	366	351	341
85. Total	101	1,894	2,668	2,629	105. Total	845	3,059	4,194	4,608
<i>Income plus deficit</i>					<i>Total expenditure, excluding transfers to other authorities, but including payments out of transfers from other authorities</i>				
86. Central government	1,021	3,339	4,616	5,103	106. Central government	797	3,093	4,367	4,845
87. Extra-budgetary funds	87	94	292	258	107. Extra-budgetary funds	151	166	361	331
88. Local authorities	230	211	185	167	108. Local authorities	390	385	365	352
89. Total	1,338	3,644	5,093	5,528	109. Total	1,338	3,644	5,093	5,528

THE BUSINESS WORLD

Production Committees

[I]t is more than a year since agreements for setting up joint production committees in engineering factories and Royal Ordnance factories were signed between the engineering unions, the engineering employers and the Ministry of Supply, but until recently little has been heard about how these committees have actually been working. The Minister of Production stated on February 17th that 2,096 factories employing 150 or more workers each had set up production committees and that these had "on the whole been a success." The International Labour Office has recently published a useful survey of production committees in Britain, tracing their development and contrasting them with the older-established machinery of joint industrial consultation. The Amalgamated Engineering Union has now made an important contribution to the available store of knowledge on the subject. Its third Production Report, based on returns sent in from 1,000 establishments covering over a million workers, is a record of the operation, achievements and difficulties of joint production committees between April and September, 1942. The Report, which is in part statistical and in part descriptive, is admittedly a one-sided picture, being drawn entirely from the replies of shop stewards and trade unionists, but it is well documented and states that no points are included which cannot be substantiated.

The document is in some respects encouraging and in others depressing. It shows very definite improvements in output in a number of factories and reveals a greatly increased interest in production among the workers as a whole. But there is little room for complacency in learning that the same defects and drawbacks in the organisation are being met as in the union's earlier inquiries (described in *The Economist* of June 29, 1942). The most frequent complaint is of bad workshop organisation, but other criticisms, such as shortage of equipment, misuse of manpower, idle machines, shortage of raw material and even flow of orders are recurrent.

What is discouraging about the general picture of defects is its deadly similarity to the picture of six months ago, and even, in some respects, to that of over a year ago, comments the report. Most of the deficiencies, it is claimed, are due to lack of organisation and bad co-ordination at the top, and the efforts of individual managements and workshops cannot set them right; this leads to a sense of frustration. In spite of the system of capacity clearing exchanges, there have been persistent shortages of machine tools; the Ministry of Production has not succeeded in preventing a "priorities scramble"; the allocation of raw materials has been uneven; and far too little attention has been paid to the training and upgrading of female labour. The criticisms are serious, though they are by no means new. The Select Committee on National Expenditure has often drawn attention to exactly the same defects. But it is disquieting to hear the same stories told over and over again.

On the credit side, there have been distinct improvements in production at many factories. Nearly half the establishments sending in returns were able to report increases, in a few cases amounting to 300 or 400 per cent, and only 4 per cent of the total showed actual decreases. There has also been a satisfactory increase in the number of committees in existence—55 per cent of the firms covered had production committees, against only 21 per cent in March of last year—and it is creditable that only 2 per cent of the committees formed have broken down. In the AEU's view, the chief reason for improved production has been the establishment of better relations between management and workpeople, and in 67 per cent of the firms with production committees "improved co-operation" is given—by the union representatives—as the main reason for increased production. (It would be interesting to have the management's view.) Other reasons given are the adoption of workers' suggestions—this reason bulks larger in firms with committees than in those without—a reduction in absenteeism, better use of female labour, improvements in

welfare, and the introduction of guaranteed piece rates or output bonuses, though the paucity of references to financial factors is remarkable. Details of the enquiry's results are given in a note on page 507.

Production committees are exclusively concerned with matters directly relating to production. Such items as the use of machinery, machine tool capacity, the organisation of stores, the shift system, progress and inspection, figure most prominently on their agendas. A great deal of time is also devoted to welfare—canteens, transport, ventilation and lighting—and the relation between welfare and productivity is now widely recognised. Welfare matters are usually dealt with by sub-committees which report back to the main committee, and there is no doubt that their activities have been instrumental in bringing about substantial improvements in welfare arrangements. But in view of the large numbers of women now engaged in engineering and the importance of ensuring their welfare and their contentment, it seems a weakness that such a small proportion of women should be represented on the committees.

Good production committees—which are said to be in the majority—carry out their functions in a healthy atmosphere of co-operation, meeting at frequent intervals and providing opportunities for the interchange of information and views. But there are still many committees which encounter obstacles, both in their formation and in their operation. The few that broke down completely seem to have failed mainly as a result of lack of co-operation. The attitude "This is our works, and while I am manager it will not be done," and "Management resent intrusion of workers

OXFORD PAMPHLETS
ON HOME AFFAIRS

6d. net each

A new series of Oxford Pamphlets dealing with home-front topics, political, social and economic, and designed for the general reader.

Already Published

H. 1. HOW BRITAIN IS GOVERNED
By R. B. McCallum

H. 2. THE NEWSPAPER
By Ivor Thomas

H. 3. THE TRANSITION FROM WAR TO PEACE
By A. C. Pigou

H. 4. BRITAIN'S FUTURE
POPULATION
By R. F. Harrod

In Preparation

H. 5. WILL THE WAR MAKE US POORER?
By M. Young and Sir Henry Bunbury

H. 6. ENGLISH LAW
By J. L. Brierly

And others on Housing, Money, Education,
Full Employment, etc.

Oxford University Press

taking an interest in the managerial side" still prevails in certain factories. Then, even if the management agree to set up a committee, it may become only a "façade" committee or may degenerate into a kind of absenteeism tribunal—a tendency which was very marked in the early days of pit production committees. Some managements are reluctant to take the workers' representatives into their confidence and will not submit items to the agenda on their own initiative. Not all the lack of co-operation is on the management side—far from it. There are many "short-sighted or mischievous elements" among the workers who are opposed to any form of industrial co-operation and who encourage the workers to look upon their representatives on the committees as management "stooges." This attitude is certainly not lessened by the way in which some worker members tend to look upon the committees as a kind of "secret society." Probably the best way of overcoming such difficulties is to have an efficient system of reporting back, either through factory meetings or by posting the minutes of committee meetings on the workshop notice boards. Another deterrent, to which some importance is attached, is the hostility shown by some foremen or charge-hands, who are said to be suspicious and resentful of the responsibilities undertaken by production committees.

What are the main conclusions to be drawn from the AEU survey? In the light of the evidence collected, the union's claim that

the committees have fully justified their existence and have proved themselves a factor of incalculable value in the war effort.

Finance and Banking

One Thousand Million

The £50 million increase in the fiduciary issue announced this week brings the total to the very round sum of £1,000 million. The passing of this glaringly self-assertive milestone demands a review of the stages by which the fiduciary issue has reached its present ten-figure eminence since the beginning of the war. The various increases are given below—all of them were of £50 million each, except for the initial jump of £280 million, which accompanied the transfer of gold from the Bank of England to the Exchange Equalisation Account on the outbreak of the war, and the £70 million on the last occasion but one:—

Date	From £ Million	To £ Million	Intervening Period Weeks
September 5, 1939	300	580	...
June 12, 1940	580	630	40
April 30, 1931	630	680	46
August 30, 1941	680	730	18
December 3, 1941	730	780	13
April 22, 1942	780	830	20
July 28, 1942	830	880	14
December 3, 1942	880	950	18
April 13, 1943	950	1,000	19

The pace of these increases has been gradually increasing. The active circulation just before the war was £529,499,000. Last Wednesday it had reached £943,494,000, a relatively much steeper jump than the accompanying rise in bank deposits, which since the war have risen by 58 per cent, against the 78 per cent rise in the circulation.

Lend-Lease Silver for Britain

It was made known from Washington this week that Great Britain had made a request for 3,250,000 ounces of silver from the United States under the special Lend-Lease facilities announced last December. At the same time, a similar request for 1,750,000 ounces of silver has been made to Canada, these deliveries to be financed under the existing arrangements for reciprocal aid. Of this total of 5 million ounces, one third is apparently required for coinage purposes and the balance for essential industrial needs. The loan from the United States is to be repaid in silver after the war. This special Lend-Lease operation is being considered by the Senate Silver Committee, and the silver senators have seized with verve and alacrity on such a promising occasion to push the interests of their metal. In the first place, the suggestion has been made by a member of the committee that the silver should be made available by additional domestic production, and it seems to have been a short step from this to plead that, on the

is probably not an exaggeration. But at the same time it is clear that there is still a long way to travel before the committees can exercise their full value. There needs to be more give and take between management and workers, and more mutual confidence. The workpeople are taking a new interest in the day-to-day problems affecting production, and it is reasonable to expect the managements to encourage them to feel that they can contribute something positive—especially in the matter of examining their suggestions. There needs to be more frankness and publicity about the production programme and needs. Some committees have sensibly arranged for the display of production targets and posters, and for factory meetings addressed by Service speakers. The committees should pay more attention to the needs of women, in particular to the question of improving their skill. Nationally, the chief need seems to be for a strengthening of the regional production machinery, for more pooling of information and capacity between firms.

The AEU alleges that the production authorities in this country ignored the criticisms made in its earlier enquiry—though keen interest was shown in the United States. It is impossible for the outsider to judge how far this complaint is justified. But, in any case, those responsible for the direction of the war effort cannot afford to overlook this third Report. The new aim and policy is to extract the maximum productivity and efficiency from the existing labour force, rather than to seek its expansion. The task is to eliminate the remaining bottlenecks, to fill the gaps, and to tighten the organisation all round. The AEU report provides a concrete starting-point.

available evidence of the shortage of silver, the restriction on the price of both imported and domestic silver should be lifted and the metal allowed to rise to its monetary price of \$1.29 per ounce, compared with present prices of 45c. for imported silver and 71.11c. for domestic silver. These familiar kites need not be taken too seriously.

The impending arrival of Lend-Lease silver in Great Britain raises some interesting questions. Will the silver required for industrial purposes be made available to industry through the bullion market? Up to now, all the silver so required and provided by the Treasury has been distributed through the recognised firms of silver brokers. To vary the procedure in respect of Lend-Lease silver would mean creating a new distributive machinery, though this process would not be necessary if the silver in question were exclusively used in ordnance and other Government-owned factories. If the silver is made available through the market, the next question to be decided will be that of the price. The present official price of 23½d. is below the American price for imported metal and not much more than half the price for domestic silver, which is the price the US Treasury would have to pay for the metal if this specific delivery were to be made available by increasing domestic production. Finally, there is the delicate question whether the authorities in this country should allow the London market to continue dealing without restriction in "free" silver at a time when urgent industrial requirements have to be satisfied by Lend-Lease metal. The amount involved in these free dealings may be extremely small, but the principle at stake is of some importance.

Bank Investment Record

The March clearing bank statements are inevitably dominated by changes set in motion by London's Wings for Victory week. This was completed before any of the clearing banks made up for their March statements, and the aggregate figures, therefore, provide a complete picture of the impact on the banking position of the exceptional stimulus to investment in Government securities during that week. In the first place, it is seen that investments have risen by £23,941,000 to a new record of £1,132,393,000. This indicates a smaller direct participation by the banks in London's Wings for Victory week than in the earlier Warships and War Weapons weeks, despite the larger amount raised in the latest of these affairs. In this respect, therefore, the position has improved somewhat. This increase in bank holdings of gilt-edged securities is more than offset by the decline in Treasury deposit receipts, this item having fallen by £49 million over the month. The

latest debt return had shown that £77,500,000 of TDR's had been pre-encashed during March to finance subscriptions to tap Government loans, and it is thus evident that substantial pre-encashments were made by the banks as a counterpart to their customers' subscriptions. The other main movements shown by the clearing bank returns for March are a rise of £24,493,000 in bills, partly offset by a fall of £14,341,000 in call loans and an increase of £15,121,000 in advances, which may be explained largely

	Mar. 1942	Nov. 1942	Dec. 1942	Jan. 1943	Feb. 1943	Mar. 1943
Capital and reserves	140.3	140.3	140.9	140.9	140.9	140.9
Acceptances, etc.	102.3	92.4	93.1	94.3	94.9	92.0
Notes in circulation	1.5	1.6	1.6	1.5	1.6	1.6
Current, deposit and other accounts	3,071.9	3,471.9	3,628.6	3,576.6	3,524.9	3,541.9
Total liabilities	3,315.7	3,706.1	3,864.2	3,813.3	3,762.3	3,776.4
Cash	347.3	366.7	390.4	378.9	372.8	376.5
Cheques, balances, and items in transit	136.8	120.6	186.2	124.7	124.1	137.2
Money at call	136.6	134.6	142.2	145.8	153.7	159.3
Discounts	162.9	241.2	197.5	197.4	148.0	172.5
Treasury deposit receipts	574.5	803.5	895.5	935.0	932.5	883.5
Investments in affiliated banks	1,049.8	1,117.4	1,120.2	1,112.2	1,108.5	1,132.4
Loans and Advances	837.7	763.0	772.8	758.7	761.5	776.6
Cover for acceptances, premises, etc.	145.3	135.3	135.5	136.7	137.3	134.5
Total assets	3,315.7	3,706.1	3,864.2	3,813.3	3,762.3	3,776.4

in terms of seasonal accommodation extended for financing tax payments. There are now certain fiscal advantages in favour of the earliest payment of such taxes as EPT, and the banks are finding that the demand for loans in this connection has been increasing of late. The net effect of these various movements is to leave the structure of credit substantially unchanged. It is true that deposits show an increase of £17,031,000 on the month, but to the extent of £13,104,000 this is the illusory result of a larger volume of cheques and other items in course of collection last month.

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1942.

The Accounts are drawn up in Union of South Africa currency, United Kingdom currency being taken at par. The profit is £810,132 5s. 6d., plus £127,531 7s. 9d. brought forward, making a total of £937,663 13s. 3d. A final dividend of 5s. 6d. U.K. currency per share was declared, absorbing at par £423,500, making, with the interim dividend of 2s. 6d. per share, a total distribution of 8s. 6d., or £816,000 for the year, and leaving £121,663 13s. 3d. to be carried forward. Holdings of Shares, Debentures and other securities have been taken into the Accounts at cost or under, but in no case above the market price of December 31st last, or where no market price exists, above the Directors' valuation. At present market prices, these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to provide for contingencies by reducing the book cost of certain holdings both below cost and below market price.

The Directors have set aside £25,000 as an addition to the Reserve for Pension Contingencies for which the like amount was appropriated in 1935 when this Reserve was created. This Reserve is intended to meet contingencies relating to Management and Staff Pensions and cognate objects not covered by the Staff Pension Fund for which provision was made in 1933.

GOLD INTERESTS.

A summary of the operating results for the past year of the five gold mining companies operating in the Witwatersrand in which the Corporation is largely concerned is given below and is based on the market price for gold at 168s. 0d. per oz. fine:—

Year ended Dec. 31st, 1942.	East Geduld Mines	Geduld Proprietary Mines	The Grootvlei Proprietary Mines	Marievale Consolidated Mines	Van Dyk Consolidated Mines
Tons milled	1,923,000	1,393,000	1,845,000	597,000	1,187,200
Yield per ton	48s. 8d.	40s. 1d.	45s. 11d.	45s. 2d.	42s. 0d.
Working Costs per ton	16s. 7d.	19s. 8d.	20s. 4d.	30s. 1d.	28s. 10d.
Working Profit per ton	32s. 1d.	20s. 5d.	25s. 7d.	15s. 1d.	15s. 2d.
Total Working Profit	£3,089,000	£1,422,000	£2,180,000	£898,000	£1,888,000
Dividends (totals and per share)	£990,000 (11/0)	£894,775 (12/3)	£679,180 (4/9)	£225,000 (1/0)	£375,125 (1/4)

The Working Profit figures include the amounts due to the Union Government for taxation and under Government lease agreements, but exclude revenue from sources other than gold mining operations. Thus, East Geduld Mines 1942 dividend income on its shareholding in The Grootvlei Proprietary Mines was £31,900, and Geduld Proprietary Mines 1942 dividend income on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines amounted to £385,200.

WESTERN HOLDINGS.—A contour survey of a portion of the area held by the Company under the Prospecting and Mining lease granted by the Government has been made.

WITBOK.—A borehole on the Company's northern boundary is being drilled and had reached a depth of 1,887 feet at the end of the year.

OTHER INTERESTS.

BAY HALL TRUST.—The dividend for 1942 was again unchanged at 6s. per cent. BRITISH ENKA.—Labour shortage and quota arrangements restricted the Company's activities. Nevertheless, a somewhat improved profit was earned.

SAN FRANCISCO MINES OF MEXICO.—For the year ended September 30th, 1942, the Net Profit before charging taxation was £423,334, compared with £121,342 for the previous year. A dividend of 2s. 6d. per share was paid, compared with 9d. per share for the previous year. During the year the mine established records in many directions.

SELECTION TRUST.—For the year ended March 31st, 1942, this Company paid a dividend of 9d. per Ordinary Stock unit. Its principal interests are in the American Metal Company (substantially concerned in copper in Northern Rhodesia through its interests in Roan Antelope Copper Mines and Rhodesian Selection Trust), Consolidated African Selection Trust and Ultramar Company.

SOUTH AFRICAN PULP AND PAPER INDUSTRIES.—During 1942 satisfactory progress continued to be made. The balance of the loan from the Corporation was repaid and a profit of £95,032, after provision for depreciation, was made, which compares with £91,023 for the previous year. A dividend of 5 pence, absorbing £37,500 has been declared.

ULTRAMAR COMPANY.—This Company's subsidiary, Caracas Petroleum S.A., is concerned with the development and exploitation of extensive oil concessions in Venezuela. Work is being carried out in joint account with Texas Company. Operations are proceeding and drilling has revealed promising oil-bearing formations.

RHODESIA AND WEST AFRICA.—Although again hampered by heavy taxation, both Mufulla Company and, in turn, Rhodesian Selection Trust, were able to resume dividend payments, the former with 2s. 3d. per share and the latter with 7½d. per share. Roan Antelope dividend was repeated at 6d. per Ordinary Stock unit. Consolidated African Selection Trust paid 7½d. per Ordinary Stock unit, against 6d.—free of tax in each case.

CHROME.—We have now established ourselves as a producer of Chrome Ore and material quantities of this strategic mineral were shipped during the year at a small profit.

COPIES OF THE FULL REPORT AND ACCOUNTS CAN BE OBTAINED ON APPLICATION AT THE LONDON OFFICE, PRINCES HOUSE, 25, GRESHAM STREET, E.C.2.

Investment

The Budget and the Market

Events always look larger in prospect to the stock market than when their actual dimensions are known and it is, therefore, not surprising that the most immediate effect of the budget was a modest recovery in tobacco and brewery shares, which had been out of favour for some weeks. The budget is a repetition of last year's prescription at two-thirds strength. Further, the investor can now build on the experience of the effects of last year's supplementary taxation and the general view is that taxes on beer, tobacco, entertainments and luxuries will have little effect on sales. Perhaps this rather over-simplifies the position. It is a matter of balancing the further contraction of the field in which alternative private expenditure is feasible against the possibility—one might almost say probability—that the expansion in Government outlays may be less this year than last. The market might, perhaps, more safely assume that, with the significant exception of tobacco, it will be lack of physical supplies rather than a fall in demand which will limit profits in these fields. The second set of considerations which may properly affect the market arises from the promised further adjustments of EPT assessments. Some of the points cannot be settled until after the war, but Sir Kingsley Wood was able to give certain assurances. In a general way, he has conceded that terminal losses, that is those involved in changing back from a war to a peacetime basis, shall be dealt with. All expenses of a revenue nature incurred in earning EPT are to be allowed as a deduction in computing liability for that tax, even if they are in fact incurred after the termination of the tax. It has also been agreed that relief for income tax and EPT, hitherto applied to scrapped equipment, is to be extended to any loss of value arising, even although the equipment continues in use. Sir Kingsley has also decided that the question of providing for stock depreciation may have to be considered, possibly on the lines laid down in the Finance Act, 1921, to deal with EPD. Further, the existing provisions with regard to special allowances for companies working wasting assets are to be extended to certain other minerals such as sand and gravel, while allowance is to be made for post-war increases in working costs arising out of departures from normal practice designed to accelerate production for the war effort. The last of these provisions has special reference to mining and oil companies and there was an immediate response in rises in Rhodesian copper and Nigerian tin mining shares. The earlier changes, as also the question of a detailed investigation of a number of further suggestions, affect a large number of industrial concerns, particularly, perhaps, those in the heavy and engineering industries which have been most fully converted to special war production. There is so far no sign that the market regards the budget as more than a very modest bull point.

Brokers' Charges

There is one aspect of the Budget which, while it does not affect investment values, is of crucial importance to brokers. This is the further rise in charges for telegrams and trunk calls. It is estimated to amount to about one-third increase, which would mean anything from £700 to £1,000 for a moderate-sized firm doing a fair business with country brokers. This may be only 5 per cent of total costs for a London broker, but, as most of these have been doing little better than cover expenses, it is obviously a matter which will call for careful consideration. The avowed object of the higher charge is to release manpower, not to produce revenue, but it is not easy to see how brokers can economise greatly on these charges, since service of this sort is one of the principal means of competition. Brokers have already faced one increase of about 15 per cent in these and similar charges, beside the two-thirds rise in postage. Their wage bills are inflated because they are forced to pay for experience in excess of their needs, while they have to put up with a lack of physical energy and adaptability in their staffs. Many of the broker's services to clients have been cut to the bone, and it will not be surprising if there is a demand for increased charges. Commission charges were felt to be high before the war, but there has been a rise of 36 per cent since 1938 in the general level of prices. For brokers, the increase has certainly been greater, when it is

remembered that "form-filling" replaces the cut in non-essential services. A rise in charges would kill some business, but the alternative appears to be discrimination, among clients against the small man, and among brokers in favour of the long purse. If an increase is to be made, it should, however, be related specifically to increased wartime costs.

Better Unit Trust Accounts

It may be recalled that the first accounts of any unit trust group, those of the trusts managed by Municipal and General Securities, were favourably commented upon in *The Economist* of February 20th, but that certain further improvements were suggested. This same group has now produced the accounts, in a substantially similar form, for each of its nine trusts during the year 1942. The figures, still in percentages, have, however, been regrouped so as to coincide very closely with the requirements then suggested. Further, the company has published its own profit and loss account, a statement to which the public has no special claim, but which, it was felt, would help greatly to reassure unit holders. *The Economist* asked for absolute figures for the trust accounts and for percentages only for the accounts of the managers. The latter have reversed this suggestion, and given absolute figures for their own profit and loss account, as well as percentages. In all the circumstances, and until other groups have been won over, this is as much as anyone is entitled to ask, and the Municipal and General deserve the thanks of all unit holders, and the support of all those of good will in the movement, for the lead they have given.

The various trust accounts are drawn up to show profits under three main heads: issue of sub-units, of which there were none under the Treasury ban; service and management of trust property, and maintaining a market in sub-units. Under the second head, the average profit was 0.107 per cent of the valuation of the trusts, with an extreme range of 0.391 for the Foreign Government Bond Trust to 0.069 for the First British Fixed Trust. In the third group, there are two sub-heads: gross profit on resale of sub-units; average profit being 2.806 per cent on proceeds of re-sale—with a range from 4.047 for the Limited Investment Fund to 1.978 for the First British—and 0.452 per cent on liquidation values with a range from 0.872 for the Fourth British to 0.092 for the Third. Finally, there was a profit of 0.466 on the total of all sub-units resold or liquidated from changes in prices of sub-units between dates of repurchase and resale or liquidation. A comparison of these percentages with those set out in the various advertising booklets of this and other groups is an adequate means of comparing promise with performance. In the absence of any earnings on creation of sub-units, the profit and loss account cannot be a matter for congratulation to the managers. The net profit is a mere £276, or 2.964 per cent of the gross figure of £9,314. Of the latter, 73.2 per cent was derived from service and management, 21.6 from maintaining a market, and 5.2 from holding the sub-units. The managers and proprietors took under 2 per cent in remuneration. Nearly 37 per cent went in rents and other overheads, almost 35 in other salaries, and the remainder, mainly, in legal, audit and accountancy charges. Nothing was spent on advertising or publicity. Copies of the accounts are obtainable from the managers.

Stock Exchange Report

The stock exchange has effected a further saving of 37½ per cent in the paper for its annual report, covering the year ended March 25th, without sacrificing any further information, but, in view of the fact that the area is now less than 10 per cent of that used in 1938-39, not much information can be expected. The total number of members has fallen slightly from 3,604 to 3,560, while the number of these in the forces has risen from 1,266 to 1,310, involving a drop in the effective membership of almost 5 per cent on the year to 2,250. The story with regard to clerks is similar and the gross number, on the house floor and in the settling room, is now 2,264, of whom all but 1,010 are in the forces. Four years ago, the comparable figures appear to have been 4,099 members and 2,790 clerks, of whom 223 members were not on the active list. From the

financial standpoint, the year's operations were an improvement on those of 1941-42. The concessions to members in the forces appear to have been reduced, economies have been effected and, although income rose by only some £10,000 to £244,054, net income increased by almost 50 per cent to £74,533. Taxation takes £39,500 against £20,000, buildings replacement receives £30,000 against £25,000, but nothing is provided for war damage contribution, compared with £22,873 last year. The net result is a deficit of £5,328 against one of £30,926. The carry forward, which is the only published free reserve, stands at £162,229 after this further draft on it.

Another Preference Scheme

It is understood that opposition has failed to defeat the scheme for a capital reconstruction of Fras. Hinde and Hardy, silk manufacturers, of Norwich. The company made a considerable profit in the year to June 30th last after a decade when, on balance, preference dividends were not covered. Dividends on these shares are in arrears since the end of 1937; there was a debit on profit and loss account at June last and there are intangibles to be written off. The proposal is to cut the ordinary shares from £1 to 5s. and to create almost as many new ordinary shares of 5s. to give to the preference shareholders at the rate of one 5s. ordinary for every £1 preference. The latter are asked to submit to the cancellation of arrears; to have their rate of dividend cut from 7½ cumulative to 6 per cent non-cumulative. As some compensation, in addition to the share in the equity, half the profits available after meeting preference dividends are to be placed to a reserve to equalise that dividend up to a maximum of £10,000. This appears to be the fourth scheme submitted by the company in little over a decade. The first, which sought to cut the preference capital by one-third, in return for 2s. per preference share in cash, was withdrawn. Later, it was agreed to fund the arrears of preference dividend, and it is part of the present scheme that the last of these funding certificates are to be redeemed in full. A year ago a third scheme was withdrawn by the company, because its properties were damaged. Shareholders have been very ill-advised to accept the scheme. The accumulated deficit and the intangible items do not enter into the picture. They can be written off by reducing the ordinary capital without altering the rights of holders of that capital one iota. The directors state that, when conditions become normal, the preference holders will receive at least as much under the new scheme as under their present rights. This means that it will be possible to pay a considerable dividend on the ordinary capital, which has received nothing for a decade or so. If this is a reasonable statement of the outlook, the arrears of preference dividend should be funded and the rights of holders left untouched. There is no reason why they should be asked to bear the risk that the directors will prove wrong, or accept types of investment other than that for which they subscribed.

Company Notes

ICI Higher Earnings

The rise in Imperial Chemical Industries' net profit figure for 1942, as disclosed by the preliminary statement, from £6,162,212 to £6,499,859 does not do full justice to the jump in revenue. In the latest period, net profits were struck after, instead of before, the customary charge of £180,106 for workers' pensions, and after a £500,000 rise in the transfer to central obsolescence and depreciation, increasing it to £2,500,000. Thus, net earnings in reality show a jump of more than £1,000,000 to £9,179,965, nearly half of which is absorbed by the increased depreciation charge. The remainder is passed on to equity earnings, which are up from £4,316,002 to £4,833,755, representing 11.0 against 9.1 per cent. The ordinary stockholders again receive 8 per cent less tax, at 9s. 4d. Of the surplus, £100,000 against nil is earmarked as a War Personnel Reserve; War Contingencies receive £601,595 against £300,720, and there is an increase of just over £100,000 in the carry forward to £965,499. The rise in the consolidated liability for NDC and EPT at £300,000, against £800,000 in the previous year, is less than might have been expected, but the absolute sum

now reaches the considerable total of £6,700,000. The table below analyses receipts and expenditure of the parent over the past three years. In the absence of the very full accounts and the chairman's statement, it is idle to attempt to explain last year's rise in profits. That there has been an increase in output is obvious, but it is less easy to suggest how the

	Years to December 31,		
	1940	1941	1942
Profits after tax*	8,418,533	8,162,212	9,179,965
Central obsolescence and depreciation	2,000,000	2,000,000	2,500,000
Preference dividends	1,666,104	1,666,104	1,666,104
Workers' pensions	180,092	180,106	180,106
Ordinary stock:—			
Earned	4,572,337	4,316,002	4,833,755
Paid	4,032,149	4,032,149	4,032,149
Earned %	10.1	9.1	11.9
Paid %	8	8	8
War contingency reserve	339,262	300,720	1701,595
Carry forward	882,354	865,487	965,499
NDC and EPT paid by group, approx.	5,600,000	6,400,000	6,700,000
* Except tax on dividends.			
† Including £100,000 to War Personnel Reserve.			

increase in gross earnings has been passed on to net revenue. The industrial activity of the group is now so vast and so completely identified with the war effort that its progress might almost serve as an index of the progress of war production as a whole. The £1 ordinary stock, at 39s. 3d., yield £4 2s. 4d. per cent, less tax, at 9s. 4d.

South Durham Improvement

The full accounts of *South Durham* and its subsidiary, *Cargo Fleet*, for the year to September 30th last show that the previous year's recovery has been continued. Profits of *South Durham*, after deferred repairs and contingencies, jumped from £281,134 to £409,672, the highest level of the past decade. Unfortunately for shareholders, tax liability has risen even more steeply from £41,000 to £180,000 while depreciation is maintained at £100,000. It is only the reduction in war damage from £25,933 to £10,003 which makes possible a rise in earnings for ordinary and "B" ordinary shares from £39,905 to £45,167. Thus the smallness of the rise in equity payments, which caused some market disappointment, is fully explained. Ordinary shares, which receive 8½ against 8 per cent, are covered by an earned rate of 8.6 against 8.0 per cent; "B" ordinary shares, which receive 2½ against 2 per cent, are also covered by a margin of 0.1 per cent. The small surplus goes to raise the carry forward from £122,865 to £123,586. It appears that strict control of expenditure has contributed to the ½ point increases in distribution. In the case of *Cargo Fleet*, the same factor, the jump in tax liability, which in this case is up from £25,000 to £70,000, has prevented any substantial rise in distributable earnings. The surplus, which amounts to £798 against £501, is added to the carry forward, raising it to £98,569. The

• Interest paid half-yearly

• Income Tax not deducted at source

3% SAVINGS BONDS

1960-70

POST OFFICE & TRUSTEE SAVINGS BANK ISSUE

Issued by the National Savings Committee

balance sheets of both concerns suggest that the basis of the recovery has been a marked expansion in turnover—possibly due to fresh plant coming into production. For *South Durham* there is a jump in net loans to subsidiaries from £21,436 to £139,289. Debtors are nearly £400,000 higher at £880,384 and creditors have risen more than £400,000 to £834,037. Since stocks and cash are also substantially increased there is a moderate rise in net liquid assets from £603,021 to £668,973. The statement of *Cargo Fleet* shows similar, if less pronounced, movements. The chairman, Mr Benjamin Talbot, gives away no trading secrets. He suggests, however, that the rise in profits is arrived at after very adequate provision for deferred repairs. The jump in the gross figure is, no doubt, considerably more striking. The £1 ordinary shares of *South Durham*, at 32s. 3d. ex dividend, offer the sound yield of £5 5s. 5d. per cent.

Cunard Payments Resumed

A preliminary statement by Cunard Steam Ship shows a profit for the year of £343,723 compared with one of £229,701 for 1941. It may be recalled that out of the carry forward of £578,340 at the end of 1941, first preference arrears of £318,750 were met in March, 1942, while in November £330,000 was paid to bring the second preference dividend up to the end of June last year. These payments absorbed the whole of 1942 profit and reduced the carry forward to £220,813 after bringing the preference dividends up to date to December 30th. Earnings for 1942 amount to 9.9 per cent on the equity, after allowing for current preference dividends, against 5.7 per cent for 1941. No dividend is declared on 1942 profits, but the directors recommend an interim of 2½ per cent for 1943, calling for £69,628 net on the assumption, made throughout, that tax is reckoned at the full standard rate. The £1 ordinary stock units, which have been rather weak of late at about 21s., showed virtually no change on the announcement.

Higher Paint Earnings

The preliminary statements of two paint manufacturing concerns, *Pinchin Johnson* and *Indestructible Paint*, reveal that operations in 1942 were highly profitable. Disclosed earnings before tax of *Pinchin Johnson* jumped sharply from £310,859 to £453,121, at least £60,000 above the previous record for the past decade. Tax and EPT provisions, however, require only £90,000 more at £270,000. The ordinary dividend remains unchanged at 8½ per cent, although earnings have risen from 8.6 to some 16 per cent. Contingency reserve receives £60,000 compared with a transfer of £24,567 to reserve for investment depreciation and contingencies. Including this latter allocation, equity earnings for 1941 equalled 11.1 per cent. Nearly £18,000 is added to the carry forward now totalling £169,202. Earnings after tax of *Indestructible Paint* show a considerably smaller relative appreciation, from £37,400 to £45,266. Nevertheless, the ordinary payment is raised 5 points to 25 per cent, thereby restoring the pre-war distribution. These results reflect the official demand for the industry's products, which, despite the stringent control for civilian purposes, and a heavy fall in exports, is probably unsatisfied. The greater relative increase for *Pinchin Johnson* is partly accounted for by the uninterrupted operations of the past year, compared with the dislocation of output in an important plant in 1941. According to the chairman, Mr E. Robson, the plant installed is better suited to present requirements. A year ago, he was able to say that shortage of supplies was being met by employment of substitutes. Under present conditions current earnings appear assured, while the prospects of the industry in the post-war physical reconstruction are better than for many others. The 10s. ordinary shares of *Pinchin Johnson* at 32s. 6d. ex dividend yield £2 12s. 4d. per cent, while the £1 ordinary shares of *Indestructible Paint*, quoted at 111s. 9d., give a rather higher return of £4 11s. per cent.

Brazilian Traction Dividend

The rise in the 1943 interim payment of Brazilian Traction from 40 to 75 cents was considerably better than the market expected. There was an immediate jump of 2½ points in the price of the ordinary shares to 27½, and the general enthusiasm was responsible for a short-lived demand for Brazilian Government and rail stocks. In 1942, the

company paid a 40 Canadian cent interim and a final of 60 cents, making C\$1 for the year, against 40 cents in 1941, when earnings per share amounted to C\$1.87. The 1942 report has not yet been issued, but in the light of the latest payment it must be assumed that last year's dividends were no less generally covered. There is no doubt that entry into the war has stimulated economic activity and that Brazilian Traction has profited thereby. The size of the latest increase, however, probably owes most to the settlement of the tax dispute with the Brazilian Government at a liability of some US\$5,400,000 against US\$7,800,000. The management had apparently reserved the full amount in dispute. What dividend shareholders may expect in the full year 1943 remains a matter for speculation. Probably C\$1.50 should be regarded as the outside figure, but until the 1942 accounts are available no forecast can be attempted. At the current price of 27½, on last year's payment, the yield is no more than 4.2 per cent, less non-residents' tax of 15 per cent.

BSA Setback

For the third year in succession, total profits of *Birmingham Small Arms*, struck after EPT and contingencies, have declined. In the latest period to July 31, 1942, the drop from £1,208,079 to £1,159,735 is less steep than in the previous year, but, even with certain savings in expenditure, the 7½ per cent ordinary dividend is under-earned by a margin of 0.4 per cent. All adjustable charges are lower with the exception of total depreciation provision, which receives £439,977 against £430,815. As in the previous year, there is no transfer to free reserves, and the customary provision for debenture repayment involves a reduction in the carry forward from £278,249 to £238,310. The failure to reduce the ordinary dividend in step with the decline in surplus earnings is presumably due to the management's belief that the narrowing of the margin will be purely temporary. The company's balance-sheet shows an increase in net loans to subsidiaries from £741,715 to £768,603. The sharp fall in debtors of nearly £2,000,000 to £3,752,535 in the consolidated statement, and the smaller reduction in creditors from £7,884,426 to £7,714,605, may indicate some reduction in turnover, but it is more likely to be due to a change in the tempo of payment. Despite the rise in cash from £561,426 to £815,921, and the acquisition of £1,000,000 of tax reserve certificates, there is a decline in net liquid assets from £2,404,229 to £2,286,108. At the same time, fixed assets, after deduction of increased depreciation, are slightly higher. It appears more than likely that the energies of the concern last year were in some degree diverted from current output to reconstruction of plant. The £1 ordinary shares, at 23s. 9d., yield £6 8s. 4d. per cent.

Crosses and Winkworth

The management of *Crosses and Winkworth*, the Lancashire cotton spinners and doublers, are able to announce one more step on the path to full liquidation of debenture arrears. Under the 1931 scheme of amalgamation with Crosses and Heaton Associated Mills, £600,000 of "Crosses" debentures were issued to the Midland Bank as security for overdraft. It has now been found possible to cancel these debentures, together with the floating charge they carried. Bank overdraft was eliminated in the year 1940-41, and the next year's accounts showed a credit balance of £263,872. In the last three years, there has been a marked improvement in the company's liquid position. Excluding the liability on interest arrears of old Crosses and Heaton debentures assumed at the time of the merger, net liquid assets have risen from £124,359 in 1938-39 to £624,585 in 1941-42. Advances secured against cotton stocks have also been eliminated. It must be pointed out, however, that the size of accumulated arrears is still formidable. In addition to the remaining interest on old Crosses and Heaton debentures of £82,625—nearly half the outstanding total was paid off last year—there is £928,483 arrears of interest due on 6 per cent first mortgage "Heaton" debentures. Despite the improvement of recent years, which has to some extent been based upon exceptional war-time trading factors, the 6 per cent non-cumulative preference shares and the equity capital are almost as far as ever from sight of a dividend. When the remainder of the old debenture arrears have been paid—as should be the case in the year ending March 31, 1943—there will be a very strong case for a reconstruction. The cancellation of the bank debentures is an important step to that end. The 6 per cent "Heaton" debentures have been rising steadily during the past year. They now stand at 101½ against 89 some six months ago.

Industry and Trade

Higher Customs and Excise Duties

In imposing higher indirect taxes, Sir Kingsley Wood has rightly selected the main outlets for the increase in spendable incomes, that is to say alcohol, tobacco, entertainments and luxuries. Beer goes up in price by a penny a pint, the duty on spirits is up by 2s. 4d. a bottle; a packet of ten cigarettes hitherto costing 1s. is now retailed at 1s. 2d. Cinema and theatre seats, except those priced at 1s. or less will cost more from May 16th, and the purchase tax on goods hitherto taxed at the rate of 66½ per cent has been raised to 100 per cent. Telephone and telegram charges have also been raised; for example, the cost of a three-minute day trunk call, 35-50 miles from the caller's district, will be 1s. 10d. from May 1st, against 1s. 5d., and the price of an ordinary inland telegram of nine words or less will be raised from 9d. to 1s. The Chancellor's estimates of receipts show that he does not expect the increased duties on alcohol, tobacco and entertainments to have a deterrent effect on consumption. He expects to obtain a further £28.5 millions or 13 per cent from beer, £8.4 millions or 12½ per cent from spirits, £57 millions or 17 per cent from tobacco, and £7.8 millions or 25 per cent from entertainments. The increase in the purchase tax on luxuries from 66½ per cent to 100 per cent is estimated to bring in an additional £4 millions or 3.6 per cent, but this will be offset by an equivalent loss of revenue resulting from the decision to exempt from purchase tax utility cloth, domestic textile goods, soft furnishings, bedding and haberdashery.

The Purchase Tax

The Chancellor's decision to increase the purchase tax on luxuries to 100 per cent is to be welcomed; most of the articles included in this category are either articles such as clothing or household textiles, for which utility goods can be substituted, or articles, such as cameras, musical instruments, ornaments and jewellery which are not essential. It also includes conventional necessities, such as toilet requisites, but there is no reason why these should not be treated like beer and tobacco. Equally welcome is Sir Kingsley Wood's decision to exempt from purchase tax utility cloth and other utility textiles; he might have extended this concession to domestic pottery and other essential household articles in everyday use, such as pots and pans and brushes.

Miners' Bonus

The Miners' Federation of Great Britain is understood to have come round to the view that the output bonus should be changed from a district basis to a pit basis. When the scheme was originally under consideration, both sides of the industry opposed the idea of a pit basis, on the ground that it could not be operated fairly owing to the variations within each district. It may be argued, with more justification, that a district bonus does not provide a fair reward for good pits in bad districts, and that the introduction of a pit bonus would undoubtedly provide greater incentive for effort. The district basis, to judge by the output figures during recent months, has certainly not been a success. The scheme is being reviewed by the Greene Board, and no doubt the Board, which itself originally favoured a pit basis, will welcome the miners' change of heart.

AEU Production Enquiry

The third Production Report of the Amalgamated Engineering Union, covering the period from April to September, 1942, is based on returns collected from 1,000 establishments, representing 1,268,010 workers in 881 firms. The report analyses the factors contributing to improvements in production and those impeding production. The subject-matter of the report is discussed in an article on page 501. The first table shows the reasons given by the

workers for increased production in those establishments which claimed increases, that is 55 per cent of those with production committees and 42 per cent of those without.

REASONS FOR INCREASED PRODUCTION, APRIL-SEPTEMBER, 1942

Causes	Establishments with Production Committees	Establishments without Production Committees	Total
	%	%	%
Better co-operation between management and workers	67.7	37.6	52.6
Workers' suggestions adopted	58.1	30.0	44.0
Improved timekeeping and less avoidable absenteeism	53.1	38.8	45.9
Better workshop organisation	51.1	28.8	40.0
Better use of equipment	50.0	32.3	41.2
Improved production methods	48.5	37.6	43.0
Better use of female labour	47.4	42.3	44.8
Guaranteed piece rates or output bonus	41.8	25.3	33.5
Better use of production time	40.3	23.5	31.9
Better welfare conditions	31.5	15.2	23.3
Better use of skilled labour	30.7	20.0	25.3
Propaganda for more output	28.1	14.1	21.1
Better flow of contracts and deliveries	28.1	23.5	25.8
Less time limits and high finish	22.2	18.2	20.2
Improved canteen facilities	17.0	8.2	12.6
Increased standardisation of units	16.3	13.1	14.9
Improved transport facilities	13.0	7.0	10.0
Improved housing facilities	1.8	0.6	1.2

It is interesting to note that the two factors, improved co-operation and adoption of workers' suggestions, are given far less weight in establishments without committees than in those with committees.

The Report shows that many of the same factors that were found to be hindering production in the earlier enquiry were still operating six months later. These factors are shown for establishments with and without production committees and as compared with six months before.

FACTORS RETARDING PRODUCTION

Causes	Establishments with J.P.C.'s	Establishments without J.P.C.'s	Total	Previous Enquiry (Total)
	%	%	%	%
Bad workshop organisation	43.6	39.0	41.3	16.7
Shortage of, or obsolete, equipment	41.8	31.75	36.75	38.3
Lack or misuse of manpower	36.5	32.5	34.5	28.4
Idle machines	31.0	28.75	29.9	17.0
Raw material shortages	29.8	21.5	25.6	18.7
Uneven flow of orders	28.2	13.75	21.0	9.2
Component shortages	27.8	15.0	21.4	11.6
Obstructive management	19.2	27.25	23.25	26.6
Too fine limits and high finish	2.4	2.75	2.5	5.8
Shortage of work	32.6	16.75	24.75	15.8
Bad welfare conditions	12.0	14.5	13.2	4.6
Bad canteen facilities	9.8	5.5	7.6	3.2
Grievances about earnings	9.4	12.5	11.0	10.6
Bad transport facilities	7.0	3.0	5.0	4.6
Bad time-keeping and avoidable absenteeism	9.2	3.75	4.0	6.4

It should be noted, however, that these returns in the main reflect the subjective attitude of the workers, which cannot be measured with precision by statistics.

Cotton Trade Organisation

The first report of the Cotton Industry Conference, presented at the end of last week to Mr Hugh Dalton, the President of the Board of Trade, contains nothing revolutionary. Apparently it is concerned mainly with the future constitution of the Cotton Board. The present

INSTITUTE OF INDUSTRIAL ADMINISTRATION
Special Study Course on "ELEMENTS OF LEADERSHIP" by Major L. Urwick, O.B.E., M.C., M.A., will be held on Tuesdays, May 4th to June 1st, at 6.30 p.m., at the Polytechnic Extension, Little Tichfield Street, W.1.
The fee for the Course is 10s. 6d., which must be sent with application for enrolment to the Institute Offices, Artillery House, Artillery Row, S.W.1.

Cotton Board consists of 10 members and the chairman, Sir E. Raymond Streat; its members are nominated by the President of the Board of Trade. It has been urged in Lancashire for some time that a change should be made in favour of a Board consisting of representatives elected by the several trade organisations and the trade unions. The Conference has suggested a Board of 18 persons, exclusive of the chairman, the membership consisting of three persons each for cotton spinning, cotton weaving and merchandising, two raw cotton merchants, and one representative each for bleaching, piece dyeing, yarn bleaching and dyeing, and printing, and three representing the trade unions; its chairman would be appointed by the President of the Board of Trade from a panel of names submitted by the Cotton Board. There has been some difference of opinion about how the funds should be raised to meet the expenses of the Board. By a majority vote it has been agreed that the costs should be covered by a levy on raw cotton purchases, but objection has been taken to this course by the Master Spinners' Federation and the Manchester Cotton Association; in their opinion the necessary funds should be raised by a levy based on the amount of machinery in each section. The constitution of the Cotton Board is an important matter, but surely the industry's main problem is to think about producing the right sort of goods at the prices at which they will find customers after the war.

Fishing

Less than two weeks after making an Order reducing fish prices from April 10th, the Minister of Food postponed its operation until June 12th. Although the prices were in general accepted by the Fish Trades Joint Council, trawler owners were not happy about them, and fishermen still less. Fishermen's remuneration is made up of a basic wage and a poundage on the catch; in addition, there is danger money in wartime. The Third Schedule of the Fish (Maximum Prices) Order—the one in question—deals with prices on which the poundage settlement shall be based, and it was over this that trouble arose, although the prices laid down are minima, and there is nothing to prevent trawler owners from paying more. The fishermen struck, and the dispute was reported to the Minister of Labour, who called a meeting on April 9th, of the trade union, the owners, and the Ministry of Food. The result was the postponement of the price reductions, in order to give the trawler owners and the men time to adjust their relative positions. Negotiations had been proceeding for an increase in basic wages, before the new Order was made, and presumably these will be influenced by its operation. It is true to say that trawler owners' profits and fishermen's earnings have been good, but too little is known of the danger and discomfort incurred in their work. Many of the trawlers not taken over by the Admiralty would have been considered unseaworthy in peacetime, and maintenance costs are therefore vastly higher. Good will towards the settlement of internal problems is much in evidence and there is every hope that difficulties will be overcome.

Home Flax

In the course of a statement in the House of Lords on April 8th, Lord Portal added a footnote to the Fifth Report of the Select Committee on National Expenditure, on home flax production. He said that 47,000 acres were under flax in England alone. In Northern Ireland it is hoped that the acreage will reach 100,000 this year; in Southern Ireland the acreage is 18,000. The Admiralty is a large user of flax, and the occupation of Belgium by the enemy aggravated supply difficulties. Before the war four-fifths of flax requirements were obtained from countries now enemy-controlled. The prewar acreage in this country was as little as 3,500 acres, and Northern Ireland has more than trebled its acreage. According to the Select Com-

mittee's Report, there are now 17 factories, all Government owned, some having been specially built, and others purchased from the private owners, who continue to manage them on an agency basis. The cost of acquiring and building these factories amounted to £1,212,000, and further expenditure will be less than £50,000. The net cost of the 1942 yield in England and Scotland is estimated to be about £1,360,000; farmers received about £940,000, and the cost of processing the crop was about £900,000. Yields have improved since the beginning of the expansion. At first yields were over-estimated. From every ten acres 2 tons of flax fibre and one ton of tow were expected. In 1940-1941 the actual yield was half a ton of fibre and half a ton of tow from ten acres. According to Lord Portal, the yield in 1942 had about doubled to just over one ton of fibre to every ten acres.

Agricultural Improvement

The work of the Agricultural Improvement Council for England and Wales is complementary to that of the Agricultural Research Council; in a sense, if there were no Improvement Council, the work of the Research Council would be fruitless. For the Improvement Council has the dual task of seeing that the results of agricultural research are applied in practice, and of keeping the Research Council informed of farmers' problems which need scientific research and attention. Farmers, as a body, tend to be conservative, and the immense variety of types and sizes of farms, and the traditionally different methods in use in the same branches of agriculture in different parts of the country, make it difficult to apply scientific methods on a systematic basis. In its first report, covering the period June, 1941—June, 1942, the Improvement Council concludes that there is a fundamental need for the majority of farmers to get a better general and scientific education—in this connection, the report of the Luxmoore committee on agricultural education is discussed on p. 491. It believes that no progress will be made unless the industry is guaranteed a certain amount of economic stability in the future. The county war agricultural committees have done invaluable work in advising farmers about their problems, and some form of local advisory centres on these lines will probably have to be continued after the war. The Improvement Council has paid particular attention to the question of the use of agricultural machinery, its standardisation and improvement; it has also dealt with the urgent problems of re-seeding and ley farming, and has initiated committees to deal with both these matters. The Council has also taken up the question of sheep farming and measures for improving hill and upland grazings and systems of sheep stocking and management. It has arranged for investigations to be carried out into losses from dry rot in potatoes and the use of salt as a fertiliser in place of potash. Other matters to which attention has been paid include artificial insemination, cheese starters and mineral deficiencies in crops. The activities of the Improvement Council, like those of the Research Council, have been of immense value in contributing to agricultural efficiency during the war, and both bodies are equally important from a long term point of view.

The Co-operative Movement

The turnover of the Co-operative Wholesale Society has continued to expand. For the year ended January 9th its sales reached the record figure of £157,395,338, an increase of 9 per cent compared with 1941. To this, grocery and provisions contributed £117,239,855. From its own works the Society supplied goods to the value of £47,406,257, an increase of less than 1 per cent. The directors attribute the increased turnover to four factors: (1) The heavy duty on tobacco, (2) the advanced price of Government-controlled flour and increased releases of foodstuffs covered by the "points" scheme, (3) the improved distribution of clothing, and (4) the release of wholesalers' stocks of dry goods previously controlled under the Limitation of Supplies Orders. The deposits and withdrawals in the Banking Department (in which 869 co-operative societies, 10,269 trade unions and 823 clubs have current accounts) totalled £1,003,321,105, an increase of over £74 million or 8 per cent. There were substantial decreases in sales of boots and shoes, furnishings and

carpets. Supplies to the Ministry of Food were £3,494,379, a decrease of 11 per cent. A slight increase in the drapery trade brought its annual turnover to £5,553,398, to which the London branch contributed more than the Manchester headquarters, a reflection of progress in the south. Contracts and exports totalled £4,433,079 and shipments from the American, Australian and New Zealand depots were £3,010,911, the former being an increase of 11 per cent and the latter a decline of 8 per cent. Supplies from the society's farms of 18,807 acres reached £640,948, with a resultant profit of £154,533. After meeting taxation, expenses of production and distribution, interest on capital, depreciation, and internal reservations the net profit for the year was £5,185,683, from which dividend on purchases by society members is being allocated at the rate of 5d. in the £ with a special bonus of 2½d. in the £. An appropriation of £478,084 to the reserve fund will raise that to more than 4½ millions. The CWS has taken a referendum of its societies on the salaries of its 28 directors. These are now based on a commencing salary of £750 per annum, rising by five yearly increments of £50 to £1,000. A proposal to raise the commencing salary to £1,000 with the £50 annual advance has been rejected by 2,796 votes to 2,226. Recently the directors entered into negotiations with the Scottish Co-operative Wholesale Society with a view to the amalgamation of the two organisations into one British CWS, but a decision has been deferred pending the submission of the detailed proposals to the whole of the retail societies in Scotland. In addition to its wholesale business, the English CWS has a CWS Retail Co-operative Society, Limited, operating in Cardiff, Bangor, and Hastings, where the aggregate membership rose last year by 1,793 to 23,055 and sales advanced to £786,363. Other distributive societies that have met with difficulties are being supervised by the CWS with a view to ultimate absorption in the federal retail venture under the control of the directors of the CWS.

Pooling of Rice

Following the introduction of allocation systems for tea, oilseeds and meat, the Combined Food Board has recently prepared a pooling scheme for rice. Recently this scheme was formally accepted by the Government of the United States, which carries the main burden of meeting rice requirements outside the Pacific area. Normally only about 9 per cent of the world's rice production enters international trade, the remainder being consumed in the producing countries. Of world exports, which used to fluctuate around 8 million long tons per annum before the war, some 95 per cent came from countries now controlled by Japan, with Burma, Korea, Thailand and French-Indochina heading the list. Something like two-thirds of the world's rice exports were usually absorbed by Asiatic countries, including India, Ceylon, Malaya, China, the Dutch East Indies and the Philippines, while the bulk of the remainder went to Europe and Africa. Fortunately the United States harvested a record crop last year which, together with the carry-over from earlier seasons, has raised current supplies in the hands of the United States to 805,300 tons. By the Combined Food Board's scheme 276,800 tons of this total are to be allocated to Cuba, the Soviet Union, the United Kingdom, Canada and the neutral countries of Europe. In addition to the United States surplus there are small rice surpluses in Brazil, British Guiana, Mexico, the Dominican Republic, Ecuador, Chile, Egypt, and Madagascar. The total of these supplies, however, is not known, although the Combined Food Board's plan, according to an official United States Office of War Information announcement, will assure a supply in 1943 of 5 lb per head in the United States, about 3 lb in Canada and 2½ lb in the United Kingdom. It is probable that these allocations can be raised next year, as the Combined Food Board has recommended, that "every practical effort be made to increase rice production in all producing areas still accessible to the United Nations." While it is not possible to forecast the results of this recommendation, fairly extensive areas in Western Asia, Africa, and the two Americas are suitable for rice production. There is no likelihood that production of rice outside the Pacific region will ever reach a substantial percentage of world production; but as normally only a relatively small proportion of Eastern production enters international trade, the expansion of output for export elsewhere may become an important factor influencing the price of rice, and, indirectly and to a smaller extent, wheat prices on the world market.

Chairman's Copy

Special Meeting of the Directors

AGENDA

Co-operation by Company in the Battle for Fuel

1. Appointment of Fuel Watchers
Full time or part time?
Ministry of Fuel Badges.
2. Monthly Fuel Consumption in Works
3. Steam Raising
Consultation with Regional Officer of Ministry of Fuel & Power for technical advice.
Maintenance of Brick Work.
Improving pipe lagging.
X Check up on boiler - firing methods.
(Experiments with lower grade fuels.
Approach Boiler House foreman re Ministry of Fuel courses
4. Heating of Shops
Banking of boilers during after-noon.
Exclusion of draughts.
X Control of working temperature.
(Speak Welfare Committee
5. Fuel Consumption for Process work
Re-organization of production flow to keep fuel-using plant at full capacity—Write to Trade Association
6. Canteen
Maintenance of cooking equipment in good condition.
Planning menus for fuel economy.
7. Lighting
Lower powered lights in corridors, etc.
Use of localized lighting.
More frequent cleaning of reflectors.
Economy in use of overhead lights.
Write Ministry of Fuel
Total Savings to date
8. Any other business.
9. Date of next meeting. **FUEL ECONOMY?**

ROYAL BANK OF CANADA

DIVIDEND NO. 223.

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 31st May, 1943, and will be payable at the bank and its branches on and after 1st June, 1943, to shareholders of record 30th April, 1943.

By Order of the Board.

E. B. MCINERNEY, London Manager.
6, Lothbury, London, E.C. 2. April 14th, 1943.

COMPANY MEETINGS

NATIONAL BANK OF EGYPT

FURTHER MARKED EXPANSION

DIVIDEND OF 15 PER CENT

ALY SHAMSY PASHA'S REVIEW

The forty-third ordinary general meeting of the shareholders of the National Bank of Egypt was held at the head office of the Bank in Cairo on the 24th ultimo.

Aly Shamsy Pasha (the President) was in the chair.

The report of the directors stated that the gross profit for the year after providing for depreciation on the Bank's buildings and furniture, for rebate of discount and for doubtful debts, amounted to L.E.1,08,549, and the directors recommended an additional dividend of 11 per cent. The total dividend for the year would thus be at the rate of 15 per cent., equivalent to £1 10s. per share.

BALANCE SHEET 31st DECEMBER, 1942

	L.E.	MM.	EST.	S.	D.
LIABILITIES					
Share Capital:					
300,000 fully paid	2,925,000	000	3,000,000	0	0
Statutory Reserve	1,462,500	000	1,500,000	0	0
Fund	1,462,500	000	1,500,000	0	0
Special Reserve	39,136,441	265	40,139,939	15	2
Current, Deposit and other Accounts	24,003,765	135	24,619,246	5	10
Egyptian Government	955,594	265	980,096	13	8
Sudan Government	1,591,591	636	1,632,401	13	7
Mixed Tribunals	2,033,276	701	2,085,412	0	0
Public Debt Special Account	13,771,176	973	14,124,284	1	6
Bankers' Accounts	221,773	775	227,460	5	8
Cheques and Bills payable	108,935	270	111,728	9	8
Rebate of Discount on Bills not yet due	341,193	623	349,942	3	6
Dividends Unclaimed	2,845,981	375	2,918,955	5	1
Acceptances, &c.	321,750	000	330,000	0	0
Provision for payment of final dividend at the rate of 11% p.a.	252,016	996	258,478	19	5
Profit and Loss Account Balance	91,433,497	014	93,777,945	13	1
ASSETS					
Government Securities and Securities guaranteed by the Egyptian Government	67,130,220	798	68,851,508	10	2
Sundry Securities	1,262,747	520	1,295,125	13	3
Advances on Merchandise	3,716,365	088	3,811,656	10	0
Advances on Securities	920,063	705	943,655	1	8
Advances otherwise secured	456,015	388	467,708	1	10
Sundry other Advances	879,986	831	902,550	11	11
Bills of Exchange	8,654	103	8,876	0	1
Local Bills Discounted	10,720	037	10,994	18	2
Buildings, Furniture, &c.	169,063	337	173,398	5	11
Money at Call and at Short Notice	8,595,600	000	8,816,000	0	0
Bankers' Accounts	1,411,943	613	1,448,147	5	11
Clients' Liability for Acceptances, &c., as per contra	2,845,981	375	2,918,955	5	1
Cash:					
Notes	L.E.3,852,935	250			
Gold and Silver coin, &c.	173,199,969	4,026	135	219	4,129,369
	91,433,497	014	93,777,945	13	1

F. T. ROWLATT,
H. SERRY, Directors.
C. N. NIXON,
Governor.

ISSUE DEPARTMENT

	L.E.	MM.	EST.	S.	D.
NOTES ISSUED					
	79,200,000	000			
	79,200,000	000			
GOLD					
British Government Treasury Bills	6,240,583	308			
	33,359,416	692	39,600,000	000	
SECURITIES					
Egyptian Government Securities and Securities Guaranteed by the Egyptian Government	1,500,000	000			
British Government Treasury Bills and War Loan	38,100,000	000	39,600,000	000	
			79,200,000	000	

* By authority of the Egyptian Government these Treasury Bills are deposited in lieu of Gold.

HALIFAX BUILDING SOCIETY

INCREASED FINANCIAL STRENGTH

BRIG.-GEN. SIR EDWARD N. WHITLEY'S ADDRESS

PRESIDENT'S ADDRESS

The following are extracts from the President's address:—

We have for many years been able to point to the undoubted strength of our country's finances and to the sound methods with which they have been administered by successive Governments. Egypt's credit built up by years of prudence, stands high; the inestimable benefits that are derived from the maintenance of her financial reputation at its present high level are apparent to all and need no further emphasis from me.

PRICE CONTROL AND COST OF LIVING

When addressing you a year ago I laid stress on certain defects in the system of price control. The continued rise in the cost of living during the past year bears out what was then said. A general rise of prices is one essential characteristic of inflation: I venture to remind you that no country that has experienced inflation has ever derived permanent benefit from it. It is enough to say that inflation creates inequities, since it lowers the standard of living of some classes of the population (those whose incomes are fixed) and confers prosperity on others without any regard to the merits and demerits of either class; it thereby creates disturbances in the social order as each economic group strives to readjust itself to new living conditions. The stabilisation of the cost of living must be the basis of a sound economy.

There can be no disagreement with the policy of successive Governments to improve social conditions, and it is with great interest that we have followed the reforms introduced during the past year.

BANK'S LIQUID POSITION

The balance-sheet which we present to you today shows further marked expansion, and reflects the favourable monetary conditions of the year. Our deposits from the general public have reached a new high level of over L.E.39,000,000, while bankers' balances are also substantially higher at over L.E.13,500,000, and we welcome this evidence of extreme liquidity. The Government balance again shows a notable increase, but it must be remembered that capital sums are included and that the increase does not necessarily signify a large surplus of Government revenue.

Trade demand for finance has been very restricted throughout the year, and there has been only limited scope for the employment of our funds. There has thus been a large increase in our investments, which I may mention include a considerable holding of three months' Treasury Bills and other short-term investments.

LARGER EARNINGS

The profit and loss account shows that earnings have risen by L.E.203,000 to L.E.1,08,549, but this increase is absorbed to a great extent by a sharp rise in our current expenses to L.E.636,406; this is due to heavy taxation payments, both here and in London, and also to a higher salary bill arising from increased cost of living allowances. The margin between increased revenue and increased expenditure though small will permit of a slightly higher distribution to shareholders, and your directors hope that the restoration of the dividend to the rate at which it stood for many years prior to the outbreak of war will give general satisfaction.

SOCIETY'S LARGE SUBSCRIPTION TO GOVERNMENT LOANS

It is the definite wish of the Government that we should do our utmost to direct the savings of our members into Government loans to pay for the enormous cost of the war, and we have therefore subscribed during the year £8,133,508 almost entirely in 2½ per cent. National War Bonds, and I am sure that all our members will approve of this substantial support.

At the same time we cannot overlook the fact that even in the present crisis some people must buy their homes, and we have advanced to borrowing members almost entirely for that purpose £2,202,463 on sound first mortgages, an amount considerable in itself but not more than a tenth of what we were lending in the years just before the war and what we may reasonably hope to lend when building by private enterprise begins again after the victory is won.

PROBLEM OF POST-WAR HOUSING

Sir Edward, in dealing with the question of post-war housing, said: The problems connected with the housing of our people are being attacked by many committees and from many angles. The Building Societies' Association, as I told you last year, appointed a committee under the presidency of Lord Sankey, to look into the question from a building society point of view. This committee, after careful consideration, has recommended to H.M. Government that when the new building begins four conditions should be fulfilled before any house is passed fit for occupation: first, that the site is in accordance with the plans prescribed by the Central Planning Authority; secondly, that the planning and design of the house is approved by the local authority; thirdly, that the by-laws, which are to be revised and brought up to date, have been complied with, and fourthly, that the materials and workmanship are certified after repeated inspection during building by some statutory body.

IMPORTANCE OF EARLY GOVERNMENT DECISION

Since our last meeting reports have been published by two Government Committees. These reports have already formed the subject of much discussion, and I do not propose to add to the volume of comment they have induced beyond urging on His Majesty's Government the vital importance of early decision, particularly on the problem of the location of industry and the right of developing undeveloped land so that those who are likely to be concerned will know how the future is to be shaped with regard to the questions with which the reports deal.

UNITED GLASS BOTTLE MANUFACTURERS, LIMITED

SATISFACTORY RESULTS

DISTRIBUTION OF 12 PER CENT

SIR WALROND SINCLAIR'S REVIEW

The thirtieth ordinary general meeting of the United Glass Bottle Manufacturers, Limited, was held, on the 15th instant, at the registered offices, 8 Leicester Street, London, W.C.2, Sir Walrond Sinclair, K.B.E., presiding.

The secretary, Mr. S. S. Kenyon, having read the notice convening the meeting and the auditors' report,

The chairman said: My Lord, Ladies and Gentlemen,—Before commencing the formal business of the meeting may I claim your indulgence for a few moments? I have been requested by my colleagues to preside today in the following sad circumstances.

THE LATE SIR MAX BONN

As mentioned in the directors' report, your board have to record with very deep regret the death on March 25th last of the chairman of the company, Sir Max Bonn. His sudden passing at a comparatively early age constitutes a very real loss to industry generally, to the other institutions with which he was intimately connected, and to your company in particular.

It was a profound shock to his colleagues, and no words are needed from me to remind you of his many sterling qualities, organising ability and outstanding kindness, coupled with a marked enthusiasm for everything he felt would improve in the slightest degree the best interests either of the company or any of its employees.

The premature passing of such a dynamic personality will, I am sure, be deplored by everyone connected with the company to the success of which he contributed so much. I would, therefore, ask you to join me in a formal mark of respect to his memory.

The meeting then stood in silence. Continuing, the directors' report and the accounts for the year 1942 have now been in your hands for some days and, with your permission, I propose to take them as read. There is little in the accounts which in present circumstances calls for particular comment, but I am confident that you will consider the various items to be both self-explanatory and satisfactory. You will notice from the assets side of the balance-sheet that investments in British Government securities at £149,983 show an increase of £30,000. During the year we also purchased £100,000 of tax reserve certificates which will in due course be set off against the amount due for taxation on January 1st next. Since the closing of the accounts the group has provided for a further investment of £100,000 in British Government securities.

SUPPORT FOR WAR SAVINGS

We welcome a sustained and in fact increasing effort throughout the respective factories in support of the war savings movement, to which your directors are always ready to give any reasonable facility and encouragement. Cash at bankers and in hand at £291,201 shows an increase of £85,202. On the liabilities side of the balance-sheet, sundry creditors' provisions at £1,059,603, show an increase of £154,381, made up of deposits by customers for returnable packages, to which I will refer again, less decrease in the amounts due for taxation and trade creditors.

The excess of floating assets over liabilities amounts to £1,055,366, and would seem to stultify the observations made last year as to the drain arising from E.P.T. being levied at the full 100 per cent. rate and the necessity for carrying as large a stock of raw materials as might be either per-

missible or feasible. The increase reflected under this heading partly arises from a change of trade practice, under which our customers are now called upon to make a substantial deposit, which is in due course returnable, in respect of each case invoiced to them. This new procedure was caused by the necessities of the timber position, and is in accordance with the wishes of the official Control.

PROFIT AND LOSS ACCOUNT

Trading profit shown at £349,033 compares with £359,049 in the preceding year. During 1942 your company has felt the full impact of increased operating costs, whilst there has been no compensating change in price or selling values. But for the regular outflow of production it would have been quite impossible to maintain the usual U.G.B. service, having particular regard to the much depleted staff and its consequent replacement by less experienced workers.

The net profits, including interest and dividends, less depreciation and full provision for taxation, amount to £194,752 (against £196,317 last year), to which is added the balance brought forward £65,922. After making appropriations to debenture redemption reserve £20,950, contingency reserve £50,000, and staff benevolent fund £12,500, there remains £177,224 available for distribution. The dividend for the year, less tax, on the 7½ per cent. preference shares, £45,050, and an interim dividend, less tax, on the ordinary shares, £19,547, have been paid, and it is proposed to pay a final dividend on the ordinary shares of 6 per cent., less tax, £33,510, making 9½ per cent. for the year (same as last year), and a cash bonus of 2½ per cent., less tax, £13,962 (same as last year), leaving a balance of £65,152 to be carried forward.

TRIBUTE TO MANAGEMENT AND STAFF

In spite of the considerable assistance afforded by the head office staff to all sections of the organisation, present-day conditions and regional controls throw a vastly increased responsibility and burden on individual factory managements. For obvious reasons I cannot dwell on the complexity of the many problems involved, but my colleagues and I take legitimate pride in the achievements of our managers, their associates and the workpeople, who have dealt so successfully with these difficulties.

Having regard to the uncertain conditions prevailing, the future outlook can only be described as somewhat obscure, and I can do no more than report to you that the first three months of 1943 have been satisfactory both as regards volume of orders and production results. Although the demands on the higher management are increasingly severe, the general condition of your company is such that it should be well able to surmount difficulties if and when they arise.

I feel I should be entirely lacking in my duty if I omitted to take advantage of this opportunity to express the thanks of your directors to Mr T. C. Moorshead and Mr H. J. Judd and through them to each and every employee of the company for their devoted and untiring work throughout a difficult year, and to extend our warmest greetings to those who have left us temporarily for service in H.M. Forces.

PAYMENT OF DIVIDEND

There has been a slight change in the procedure with regard to the payment of dividends. A large proportion of the share-

holders now have their dividends paid direct to their bankers and we have adopted the system whereby these are credited through the head offices of the respective banks. The dividend declared today will therefore be payable on April 29th.

DISTRIBUTION FOR THE YEAR

I now beg to move the adoption of the report and accounts and that a final dividend of 6 per cent. (making 9½ per cent. for the year), less income tax, and a cash bonus of 2½ per cent., less income tax, on the ordinary shares of the company for the year ended December 31, 1942, be paid, and I call upon Mr Cannington to second the resolution.

Mr. J. S. Cannington seconded the resolution and it was carried unanimously.

The retiring directors, Mr J. M. Connell, Mr C. G. G. Hayman and Mr W. Reid, were re-elected; the auditors, Messrs Cash, Stone and Company, were reappointed; and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

LACRINOID PRODUCTS, LIMITED

MR T. L. HORABIN'S SPEECH

The sixth annual general meeting of Lacrinoid Products, Limited, was held, on the 12th instant, at the company's registered office.

Mr T. L. Horabin, M.P., the chairman of the company, presided and said:—

The net profit, after providing for taxation and writing down of freehold premises, is £6,523 compared with £6,207 for the previous financial year. From the profit, £1,000 was paid on the retirement of three directors during the year. Owing to the excess profits tax position of the company it is not possible to show a variation to any large extent in the profit from year to year.

Problems arising from war-time conditions continue. The labour situation in particular has not been easy. Today, 90 per cent. of our staff are women. Most of them have come to us without any knowledge of factory work, scarcely any with any initial appreciation of the skill and care which must be exercised in plastic processes. Yet they have quickly become adept at their work and have justifiably earned the title of craftsmen. The management has taken and is taking all possible steps to ensure that the factory workers are able to maintain the high quality of their work, and improvements are constantly being made so that the conditions of work are as pleasant as possible.

Practically the whole of the output has been directed to supplying Government requirements. The company's main product has always been buttons, and they are its principal product today. In our workshops we also manufacture other products for the Government. For obvious reasons I cannot go into detail. In this work we have received the fullest collaboration from the various Government departments with which we deal.

POST-WAR PLASTICS POLICY

Although buttons must always be an important part of our output, our greatest potential post-war development is in products which are at present in small demand, particularly household equipment. For some years after the war, vast housing schemes will have prior claim upon the productive capacity of this country. We must play our part in the re-housing of the people by preparing our plans now for the production of those articles which we are specially fitted to contribute towards better homes.

During the war, the use of plastics has been considerably developed. Plastics have invaded industries hitherto the monopoly of other raw materials, and there is little doubt our industry will continue to hold some of these gains when the war is over.

But we must not forget that the production of many of the older raw materials has also been considerably developed and, in some instances, a substantial surplus of productive capacity will be available when the war is over. Plastics must be ready to meet such competition. It is from this point of view that Lactinoid are considering their post-war policy.

In conclusion, Mr. Alexander Bernstein, the managing director, his colleagues and employees of the company, deserve the greatest credit for the way in which they have surmounted the difficulties which have faced them during the past twelve months. The report and accounts were adopted.

HALL TELEPHONE ACCESSORIES (1928) LIMITED

The fifteenth ordinary general meeting of Hall Telephone Accessories (1928), Limited, was held, on the 14th instant, in London.

Major The Hon. Oscar M. Guest, M.P. (chairman and managing director), presided.

His review, circulated with the report and accounts, stated: Once more the company shows an increased turnover. This is one indication of its contribution to the war effort and another is the increased size of the taxation reserve; for, as this company's

earnings exceed its excess profits tax standards, all profits above that limit belong to the Exchequer. Unfortunately it is not possible to get relief from taxation for the capital expenditure which few can avoid and therefore any such expenditure, however desirable, diminishes liquid assets. Although the company's increased activity does help the nation, yet it cannot increase the amount earned for the shareholders in present conditions.

The report was adopted.

TELEPHONE AND GENERAL TRUST, LIMITED

SPREAD OF CAPITALISM

The seventeenth ordinary general meeting of this company will be held on the 21st instant in London.

The following are extracts from the statement of the chairman and managing director, Sir Alexander Roger, K.C.I.E.: The profit amounts to £103,605, a decrease of £4,357, and it is proposed to pay a final dividend of 5 per cent. on the ordinary stock, making 8 per cent. for the year, for the thirteenth year in succession, together with a dividend of 8 per cent. on the "A" ordinary shares subject to tax.

There is an appreciation of 2.21 per cent. on the total of investments of £2,677,384, compared with a depreciation of £288 per cent. in December, 1941; 80 per cent. of the investments are in the British Empire.

A prodigious change has come over Great Britain since the war. The startling fact is that we have become a veritable democracy of capitalists. The population almost to a man, certainly to a family, either directly by investing in War Saving Certificates and National Defence Bonds or indirectly through friendly societies, trade unions, etc., have acquired a capitalist interest in Great Britain—the safest investment in the world.

The business of Great Britain, in which we are now all shareholders, is already far ahead of many industrial countries, with whom we have to compete for world trade, in the provision and relative cost of social services. If, as I believe, it is necessary for industry generally to export largely to maintain these services and our standard of living generally, we must consider whether industry is able to load the price of our goods with additional costs and still sell successfully and in sufficient quantity, or whether industry must reduce its export prices to be on a competitive basis with less advanced and less costly social services in other countries.

STOCK EXCHANGES London

Note: all dealings are for cash

SATISFACTION with the Budget was almost general throughout the markets, industrial issues improving slightly on the possibilities of post-war tax relief, while the lightness of the new indirect taxation favoured the affected shares. The gilt-edged market provided the notable exception to the general firmness. Short-dated stocks were steady, but irredeemable and long-dated issues fell away steadily. Old Consols losing $\frac{1}{2}$ and $\frac{3}{4}$ per cent. Conversion Loan $\frac{1}{2}$ among other falls. South American issues attracted attention in the foreign bond market, mainly on the belief that the Brazilian Traction dividend reflected a general improvement in the exchange position. Chilean and Brazilian issues improved a point and more. Junior and marginal preference stocks in the home rail market were firm throughout, the 4 per cent. LMS 1923 preference being prominent with a point rise, while GW ordinary improved the same amount. The prior charges were dull in sympathy with the Funds. There was little of interest in the foreign rail market apart from a rise of $\frac{1}{4}$ points for San Paulo ordinary on anticipation of the report. Argentine issues declined in mid-week, but elsewhere, Canadian Pacific ordinary improved $\frac{1}{8}$.

Apart from "Budget" shares, good features in the industrial market were few. Gains for brewery issues ranged from a few pence to 1s. 6d. and 2s. 9d. for Distillers and Guinness respectively, while of tobacco shares Imperial Tobacco and Carreras "A" rose $\frac{3}{4}$ and $\frac{1}{2}$ on the Budget statement. Textile shares were firm on the news that utility garments were exempt from purchase tax. Motor shares, however, were dull, Leyland and J. Lucas losing 1s., and Rolls-Royce $\frac{1}{4}$. Shipping shares were firm at the close of the previous week, but later lacked interest. In the heavy industrial market BSA eased on the year's results, but midweek witnessed some improvement, Sheepbridge and R. Thomas ordinary rising

1s. and 6d. respectively. Stores shares were featureless, but among the dollar stocks, Brazilian Traction rose $\frac{1}{4}$ on the increased dividend, although International Nickel lost $\frac{1}{2}$ point on balance.

In the kaffir market, demand continued to favour dividend-payers rather than the developing mines. Blyvoors fell over 3s., while Springs advanced the same amount. Gains ranged from $\frac{1}{4}$ to $\frac{1}{2}$, although profit-taking later reduced many of the early gains. Rhodesian copper shares were firm on the prospect of EPT relief; for similar reasons West African gold-mining issues hardened. Rubber issues were little more than steady, but among numerous widespread advances for tea shares, Doars and Jokai were prominent with gains of 1s. 6d. and 1s. respectively. Oil shares, although steadier than of late, failed to participate in the improvement common to most other sections. Ultramar and Pets, however, were firm on some speculative support.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares + 20 Fixed Int.
April 8.....	5,180	2,495	97.7
" 9.....	5,429	2,495	97.8
" 12.....	7,730	3,038	97.8
" 13.....	6,175	2,469	97.9
" 14.....	5,822	2,469	98.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 97.9 (April 13); lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

PRESIDENT ROOSEVELT's price and wage fixing order at the end of last week sharply reversed the upward trend of recent weeks on Wall Street. Losses ranging from one to three points were later only partially offset by some tentative buying. A further relapse was occasioned this week by the Interstate Commerce Commission's suspension of increased freight charges. Heavy selling of rail stocks was accompanied by a general decline in practically all sections.

COMMODITY AND INDUSTRY NEWS

"Utility."—The Board of Trade have made the Description of Price-Controlled Goods ("Utility") Order (S.R. and O., 1943, No. 423) restricting the use of the word "utility" in relation to any goods that are price-controlled under the Goods and Services (Price Control) Acts. The Order

provides that, except under the authority of a licence, no person may supply, offer to supply or advertise any such goods upon which, or in relation to which, the word "utility" (or any word resembling the word "utility") is used, without taking sufficient steps to prevent the use of the

word from implying a Board of Trade scheme, or suggesting the existence of such a scheme. The Order does not, of course, apply to "Utility" goods described as such in Board of Trade Orders. The Order came into force on April 5, 1943. (Continued on page 516)

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

	1943	Mar. 24, 1943	Mar. 31, 1943	Apr. 7, 1943
	Low Jan. 6	High Apr. 7		
347 Industrials.....	81.1	95.5	90.5	94.9
32 Rails.....	72.6	95.2	85.1	91.0
40 Utilities.....	67.9	79.0	75.5	77.5
419 Stocks.....	78.5	92.8	87.8	91.9
Av. yield %.....	5.36	4.63	4.90	4.65

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

Apr. 1	Apr. 2	Apr. 3	Apr. 5	Apr. 6	Apr. 7
116.1	115.5	115.4	116.6	117.2	116.6

1943: High, 117.2, Apr. 6; Low, 99.5, Jan. 2.

Total share dealings: April 8, 1,810,000; April 9, 2,521,000; April 10, 1,057,000; April 12, 1,266,000; April 13, 1,408,000; April 14, 1,085,000.

* Two-hour session only.

Capital Issues

Week ending April 17, 1943	Nominal Capital	Conversions	New Money
Particulars of Government issues appear on page 510.			
Year†	£	£	£
1943.....	512,908,169	502,410,913	502,410,913
1942.....	617,084,245	607,082,186	607,082,186

† Includes Government issues to April 6, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1943.....	501,623,313	787,600	Nil
1942.....	606,845,390	199,308	37,488

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	497,598,171	609,837	4,205,905
1942.....	603,584,511	156,379	3,941,386

* Includes Government issues to April 6, 1943, only. Above figures include all new capital in which permission to deal has been granted.

GOVERNMENT RETURNS

For the 10 days ended Apr. 10, 1943, total ordinary revenue was £67,188,000, against ordinary expenditure of £187,459,000, and issues to sinking funds of £213,077. Thus, including sinking fund allocations, the deficit accrued since April 1st is £120,484,000 against £103,826,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)	April 1, 1942, to April 11, 1942	April 1, 1943, to April 10, 1943
ORDINARY REVENUE			
Income Tax.....	26,615	29,717	
Sur-tax.....	2,460	2,100	
Estate, etc., Duties.....	4,350	2,813	
Stamps.....	1,248	658	
N.D.C.....	9,030	11,556	
E.P.T.....	10	10	
Other Inland Revenue.....	43,783	46,854	
Total Inland Revenue.....	9,841	14,615	
Customs.....	3,000	4,500	
Excise.....	12,841	19,115	
Total Customs and Excise.....	1,391	632	
Motor Duties.....	4,494	Dr. 150	Dr. 600
Canadian Govt. Contribution Post Office (Net Receipt).....	...	...	...
Wireless Licences.....	...	...	...
Crown Lands.....	55	216	
Receipts from Sundry Loans Miscellaneous Receipts.....	1,640	971	
Total Ordinary Revenue.....	64,054	67,188	
SELF-BALANCING			
Post Office and Broadcasting.....	2,700	3,000	
Total.....	66,754	70,188	

Issues out of the Exchequer to meet payments (£ thousands)

Expenditure	April 1, 1942, to April 11, 1942	April 1, 1943, to April 10, 1943
ORDINARY EXPENDITURE		
Int. and Man. of Nat. Debt Payments to N. Ireland.....	20,045	20,427
Other Cons. Fund Services.....	32	32
Total.....	20,077	20,459
Supply Services.....	147,600	167,000
Total Ordinary Expenditure Sinking Funds.....	167,677	187,459
SELF-BALANCING		
Post Office and Broadcasting.....	2,700	3,000
Total.....	170,377	190,459

After increasing Exchequer balances by £9,991 to £2,885,549, the other operations for the week (no longer shown separately) raised the gross National Debt by £121,906,184 to £16,983 million after allowing for £14 million of sinking funds in 1942/43.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Apr. 9th and Apr. 15th. (Figures in brackets are par of exchange.)

United States. \$ (4.84) 4.021-031; mail transfers 4.021-031. Canada. \$ (4.84) 4.43-47; mail transfers 4.43-47. Switzerland. Francs (25.22) 17-30-40. Sweden. Krona (18.159) T.T. 16-85-95, bank notes at Bank of England, 17-40 kr. 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) 99-80-100-20; mail transfers 99-80-100-30. Panama. 34-02-04; mail transfers 4-02-04. Brazil. 83-64 cr. (buying). Uruguay. 7-6597 p. (buying). Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate);

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	200
Overseas Trade Guarantees.....	4
Tithe Act.....	1,210
Anglo-Turkish Agreement Act.....	7
	1,421

NET RECEIPTS (£ thousands)	
Land Settlement Acts.....	9

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England	Treasury Deposits by Banks	Total Floating Debt
1942					
Apr. 11	905.0	Not available			
Dec. 31	2,833.2	161.6	67.7	966.5	4029.0
1943					
Jan. 16	1040.0	Not available			
" 23	1030.0				
" 30	1020.0	231.7	24.0	980.5	4027.0
Feb. 6	1010.0	Not available			
" 13	1000.0				
" 20	990.0				
" 27	980.0	1829.7	230.1	24.7	1000.5
Mar. 6	975.0				
" 13	975.0				
" 20	975.0				
" 27	975.0				
Apr. 3	975.0	282.5	6.5	969.0	4096.9
" 10	975.0	Not available			

TREASURY BILLS (£ millions)

Date of Tender	Amount			Average Rate of Allotment %		Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted	s.	d.	
1942 Apr. 10	75.0	155.0	75.0	20	3.02	35
1943						
Jan. 15	75.0	140.0	75.0	20	1.56	36
" 22	75.0	148.2	75.0	20	1.66	33
" 29	75.0	161.0	75.0	19	11.57	28
Feb. 5	75.0	158.7	75.0	19	11.80	29
" 12	75.0	141.6	75.0	19	11.85	34
" 19	75.0	152.7	75.0	19	11.93	32
" 26	75.0	172.8	75.0	19	11.86	24
Mar. 5	75.0	161.7	75.0	19	11.68	25
" 12	75.0	164.5	75.0	20	0.29	30
" 19	75.0	169.9	75.0	20	0.58	30
" 26	75.0	157.4	75.0	20	1.82	11
Apr. 2	75.0	150.6	75.0	20	2.39	30
" 9	80.0	164.3	80.0	20	2.57	31

On April 9th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 31 per cent of the amount applied for, and applications at higher prices in full. £85 millions of Treasury Bills are being offered on April 16th. For the week ending April 17th, the banks will be asked for Treasury deposits to the maximum amount of £70 million.

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

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
Mar. 2.....	5,143	2,136	13,367	8,377
" 9.....	6,960	2,837	27,371	50,781
" 16.....	8,334	4,475	32,718	39,223
" 23.....	5,863	2,063	8,527	11,100
" 30.....	5,630	2,507	9,864	9,468
Apr. 6.....	6,484	2,695	19,059	8,783
" 13.....	...	...	11,885	19,581
Totals to date ..	762,315*	557,518*	114,2814†	227,487‡

* 176 weeks. † 119 weeks. ‡ 20 weeks.

Interest free loans received by the Treasury up to Apr. 13th amounted to a total value of £55,703,386. Up to Mar. 31st, principal of Savings Certificates to the amount of £100,322,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between Apr. 9th and Apr. 15th:

Egypt. Piastres (97½) 97½-1. India. Rupee (18d. per rupee) 17½-18½. Belgian Congo. Francs 176½-1. China. National \$ 2½-3½. Iran. Rl. 128-130. Special Accounts are in force for Chile, 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 Apr. 9th and Apr. 15th:

Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

APRIL 14, 1943

ISSUE DEPARTMENT

Notes Issued:	Govt. Debt...	11,015,100
In Circulation.....	Other Govt. Securities.....	988,009,047
In Bank, Department.....	Other Secs.....	962,624
	Silver Coin.....	13,229
	Amt. of Fid. Gold Coin & Bullion (at 168s. per oz. fine).....	241,718
		1,000,241,718

BANKING DEPARTMENT

Props. Capital	Govt. Secs. ...	139,642,838
Rest.....	Other Secs. ...	5,681,356
Public Deps. ...	Advances ...	14,221,903
	Securities.....	24,103,259
Other Deps. ...	Notes.....	56,748,024
Bankers' ...	Gold & Silver Coin.....	1,012,018
Other Acts.....		221,506,139
		221,506,139

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

COMPARATIVE ANALYSIS (£ millions)

	1942	1943
	April 15	April 7
Issue Dept.:		
Notes in circulation.....	767.1	934.5
Notes in banking department.....	13.1	15.7
Government debt and securities.....	778.1	949.1</

PROVINCIAL BANK CLEARINGS

	Week ended		Aggregate from Jan. 1 to	
	April 11, 1942	April 10, 1943	April 11, 1942	April 10, 1943
Working days:	5	6	85	85
Birmingham:	2,279	2,283	39,309	38,274
Bristol:	1,346	1,542	33,383	30,895
Cardiff:	1,626	1,542	32,782	10,205
Hull:	604	442	12,394	10,392
Leeds:	682	827	18,269	18,160
Liverpool:	585	738	13,477	13,607
Manchester:	4,774	4,159	71,602	64,191
Newcastle:	8,906	10,511	184,646	185,845
Nottingham:	1,030	1,368	28,036	22,418
Sheffield:	351	370	7,437	7,823
Southampton:	563	900	14,027	16,224
12 Towns:	22,804	23,876	453,108	420,231
Dublin:	7,592	8,912	100,903	105,968

* Apr. 4, 1942, and Apr. 3, 1943.

OVERSEAS BANK RETURNS

	Mar. 25, 1942		Feb. 3, 1943		Mar. 24, 1943	
	1942	1943	1942	1943	1943	1943
ASSETS						
Reserve: Gold	474.3	0.3	0.3	0.3	0.3	0.3
Other	595.1	997.9	1008.3	1026.2		
LIABILITIES						
Note circulation	503.6	689.4	697.6	710.8		
Deposits: Dom. Govt.	318.6	23.7	31.4	30.2		
Chartered banks	230.3	268.9	264.7	251.3		

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

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

	Jan. 31, 1942		Nov. 30, 1942		Dec. 31, 1942		Jan. 31, 1943	
	1942	1942	1942	1942	1942	1942	1943	1943
Gold in bars	37.8	65.4	65.4	67.4				
Cash	32.9	33.4	32.8	29.6				
Sight funds	15.6	15.9	16.3	15.6				
Commercial bills	112.9	112.5	114.4	114.3				
Treasury bills	28.7	30.2	30.6	31.3				
Time funds at interest	22.3	142.7	145.0	21.0				
Sundry bills and invests.	224.8	201.7	198.6	199.8				
Deposits:								
Amnity	152.7	152.7	152.7	152.7				
German	76.3	76.3	76.3	76.3				
Central Banks	17.4	16.3	16.6	16.5				
Other	3.7	3.9	1.9	1.7				
Gold	29.1	35.4	35.4	35.0				

U.S. FEDERAL RESERVE

	Apr. 9, 1942		Mar. 25, 1943		Apr. 8, 1943	
	1942	1943	1943	1943	1943	1943
12 U.S.F.R. BANKS						
RESOURCES						
Gold certifi. on hand and due from Treasury	20,474	20,393	20,371	20,337		
Total reserves	20,816	20,832	20,785	20,740		
Total cash reserves	328	308	311	362		
U.S. Govt. Secs.	2,243	5,950	5,919	6,549		
Total bills and sec.	2,260	5,973	5,945	6,575		
Total resources	24,181	28,585	28,347	28,834		
LIABILITIES						
F.R. notes in circ.	6,674	12,608	12,758	12,839		
Excess m. bank res.	3,170	1,630	1,520	1,980		
Mr. bank res. dep.	12,715	13,084	12,759	13,110		
Govt. deposits	190	6	55	213		
Total deposits	14,256	14,275	13,981	14,499		
Total liabilities	24,181	28,585	28,347	28,834		
Reserve ratio	90.8%	77.5%	77.7%	75.9%		
BANK AND TREASURY RESOURCES						
Monetary gold stock	22,675	22,595	22,576	22,541		
Treasury & bank currency	3,279	3,984	3,990	3,994		
LIABILITIES						
Money in circulation	11,610	16,065	16,252	16,353		
Treasury cash and dep.	2,367	2,224	2,277	2,442		

CENTRAL BANK OF ARGENTINA

	Feb. 15, 1942		Jan. 31, 1943		Jan. 31, 1943	
	1942	1943	1943	1943	1943	1943
ASSETS						
Gold at home	1,075	1,075	1,076	1,076		
Other gold and for exch.	488	1,080	1,129	1,160		
Non int. Govt. bonds	119	113	113	113		
Treasury bonds	394	392	392	392		
LIABILITIES						
Notes in circulation	1,398	1,500	1,594	1,595		
Deposits: Government	63	190	185	216		
Banks	586	805	815	810		
Certs. of participation	50	26	26	27		
Reserve ratio	75.4%	79.2%	80.5%	80.8%		

RESERVE BANK OF INDIA

	Apr. 12, 1942		Mar. 19, 1943		Mar. 26, 1943	
	1942	1943	1943	1943	1943	1943
ASSETS						
Gold coin & bullion	444	444	444	444		
Rupee coin	274	157	151	147		
Balances abroad	492	840	878	842		
Sterling securities	2,319	3,918	3,968	4,217		
Ind. Govt. rtp. sec.	1,253	1,944	1,944	1,745		
Investments	94	61	60	56		
LIABILITIES						
Notes in circ.: India	3,683	6,345	6,393	6,436		
Burma	283	282	299	365		
Deposits: Govt.	173	282	299	365		
Banks	413	543	550	470		
Reserve ratio	64.4%	67.5%	67.8%	71.1%		

CENTRAL BANK OF TURKEY

	Dec. 31, 1942		Nov. 30, 1942		Dec. 31, 1942	
	1942	1942	1942	1942	1942	1942
ASSETS						
Gold	135	139	145	145		
Clearing and other exch.	137	134	134	134		
Treasury bonds	57.0	54.1	47.8	49.5		
Commercial bills	297.4	395.7	431.7	451.0		
Securities	54.2	55.5	55.5	55.7		
Advances	175.3	257.8	260.9	263.6		
LIABILITIES						
Notes in circulation	515.5	679.0	720.0	742.8		
Deposits	165.7	185.0	184.7	181.4		
Clearing and other exch.	23.7	26.4	25.5	24.1		

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 1942		Prices, Year 1943		Name of Security	Price, Apr. 6, 1943	Price, Apr. 13, 1943	Yield, Apr. 13, 1943	Prices, Year 1943		Last two Dividends	Name of Security	Price, Apr. 6, 1943	Price, Apr. 13, 1943	Yield, Apr. 13, 1943
High	Low	High	Low					High	Low					
British Funds														
83 1/2	81	83 1/2	81 1/2	Consols 2 1/2%	82 1/2	82	3 1/2	51 1/2	48/3	7 b	Iron, Coal and Steel	51/-	50/9	4 s. d.
113 1/2	109 1/2	112 1/2	110 1/2	Consols 4% (after 1957)	112	112	3 11/32	31/-	28/6	11 1/2 b	Babcock & Wilcox Ltd.	52/9	52/9	4 6 9
100 1/2	99 1/2	100 1/2	99 1/2	Conv. 2% 1943-45	100 1/2	100 1/2	1 19/100	25 1/4	23/6	5 a	Bolton Colliery Ord. 10/-	30/3	31/3	4 6 9
100 1/2	99 1/2	100 1/2	99 1/2	Conv. 2% 1944-49	100 1/2	100 1/2	2 9/10	28 1/2	21 7/8	8 b	Brown (John) Ord. 10/-	24/9	24 1/2 x	6 13 6 1/2
103 1/2	101 1/2	104	102 1/2	Conv. 3% 1948-53	102 1/2	102 1/2	3 6/10	33 1/2	30/-	6 b	Dorman Long Ord. 10/-	24/9	24/9	6 9 3
108 1/2	105 1/2	107 1/2	105 1/2	Conv. 3% (after 1961)	106 1/2	106 1/2	3 2/10	30/6	49/-	14 b	Guest Keen & Co. Ord. 10/-	33/3	33/6	6 0 0
105 1/2	103 1/2	104 1/2	102 1/2	Conv. 5% 1944-64	102 1/2	102 1/2	2 15/100	54/6	50/10 1/2	12 1/2 c	Hadfields Ord. 10/-	31/6	31/9	7 1 9
96 1/2	93 1/2	97 1/2	95 1/2	Funding 2 1/2% 1956-61	100 1/2	100 1/2	2 13/100	39/10 1/2	34/6	4 a	Staveley Coal Ord. 10/-	50/-	50/6	2 11 9 1/2
101 1/2	98 1/2	101 1/2	100 1/2	Funding 2 1/2% 1952-57	100 1/2	100 1/2	2 19/100	9 7/8	8/5	Nil c	Stewarts and Lloyds Ltd.	54/-	54/3	4 12 0
102 1/2	99 1/2	102 1/2	100 1/2	Funding 3% 1959-69	100 1/2	100 1/2	2 18/100	26/9 1/2	25/-	5 b	Swan, Hunter Ord. 10/-	39/6	39/6	5 0 0
116 1/2	113 1/2	115 1/2	112 1/2	Funding 4% 1960-90	114	114	2 18/100	26/9 1/2	25/-	5 b	Thomas (Richard) Ord. 6/8	9 1/4	9/6	3 10 0
102 1/2	100 1/2	102 1/2	101 1/2	Nat. Def. 2 1/2% 1944-48	101 1/2	101 1/2	2 1 0/16	20/10 1/2	17/10 1/2	4 a	United Steel Ord. 10/-	25/9	25/9	6 4 0
103 1/2	100 1/2	102 1/2	101 1/2	Nat. Def. 3% 1954-58	102 1/2	102 1/2	2 1 19/100	17/13	14/3	Nil c	Vickers Ord. 10/-	20/6	20/6	4 17 9
101 1/2	99 1/2	101 1/2	100 1/2	War Bonds 2 1/2% 1945-47	101 1/2	101 1/2	1 19/100	22/9 1/2	15/9	Nil c	Bradford Dyes Ord. 10/-	16/9	16/10 1/2	Nil
101 1/2	99 1/2	101 1/2	100 1/2	War Bonds 2 1/2% 1946-48	101 1/2	101 1/2	1 19/100	44/13	43/3	5 b	British Celanese Ord. 10/-	22/1 1/2	22/9	Nil
101 1/2	100 1/2	101 1/2	100 1/2	Savings Bds. 3% 1955-65	114	114	2 18/100	49/5	45/-	24 a	Coats, J. & P. Ord. 10/-	44/-	44/-	4 0 0
115 1/2	112 1/2	115 1/2	113 1/2	Victory Bonds 4%	114	114	2 17/100	49/4	45/-	24 a	Courtaulds Ord. 10/-	49/9	49/6	3 0 6
103 1/2	100 1/2	103 1/2	101 1/2	Local Loans 3% 1955-59	106 1/2	105 1/2	3 5/100	34/9	31/6	7 1/2 c	Fine Cotton Spinners Ltd.	17/-	17/3	3 9 3
106 1/2	103 1/2	106 1/2	104 1/2	Local Loans 3% 1955-59	96 1/2	96 1/2	3 2/100	82/-	76/3	10 b	Lancs. Cotton Corp. Ltd.	32/3	32/3	4 13 0
91 1/2	88 1/2	90 1/2	88 1/2	Redemption 3% 1986-96	99 1/2	99 1/2	3 0/100	26/7 1/2	24/9	7 1/2 b	Callenders Cable, & Co. Ltd.	81/3	81/3	3 13 9
102 1/2	101 1/2	102 1/2	101 1/2	Austria 3% 1933-53	102 1/2	102 1/2	2 15/100	50/10 1/2	44/6	10 c	Crompton Park, 'A' 5/-	26/-	26/-	3 16 9
Dom. & Col. Govts.														
102 1/2	101 1/2	102 1/2	101 1/2	Australia 5% 1945-75	102 1/2	102 1/2	3 18/100	90/-	85/-	17 1/2 c	English Electric Ord. 10/-	48/-	48/-	4 3 3
103 1/2	100 1/2	104 1/2	103 1/2	New Zealand 5% 1946	104 1/2	104 1/2	3 11/100	38/3	38/3	3 a	General Electric Ord. 10/-	89/-	89/-	3 18 6
111 1/2	108 1/2	111 1/2	110 1/2	Nigeria 5% 1950-60	111 1/2	111 1/2	3 6/100	43/3	38/3	Nil c	County of London Ltd.	38/-	38/-	4 4 0
Corporation Stocks														
106 1/2	105 1/2	106 1/2	105 1/2	Birmingham 5% 1946-56	106 1/2	106 1/2	2 14/100	31/9	31/9	24 a	Gas Light & Coke Ord. 10/-	16/6	16/6	1 4 0
97 1/2	93 1/2	98 1/2	95 1/2	L.C.C. 3%	96 1/2	96 1/2	3 2/100	32/-	31/4	24 a	North-East Electric Ltd.	32/6	32/6	4 18 0
100 1/2	98 1/2	100 1/2	99 1/2	Liverpool 5% 1954-64	99 1/2	99 1/2	3 0/100	42/9	39/3	3 a	Scottish Power Ord. 10/-	32/6	32/6	4 2 0
106 1/2	104 1/2	106 1/2	105 1/2	Middlesex 3 1/2% 1957-62	105 1/2	105 1/2	3 0/100	21/10 1/2	19/7 1/2	10 c	Yorkshire Electric Ltd.	40/-	40/-	4 0 0
Foreign Government Stocks														
102 1/2	97 1/2	102 1/2	99 1/2	Argentina 4 1/2% Stg. Bds.	101 1/2	101 1/2	4 9/100	25/4 1/2	22/6	7 1/2 c	Austin 'A' Ord. 5/-	20/6	20/6	2 8 9
64 1/2	46 1/2	67 1/2	61 1/2	Brazil 5% Funding 1914	65 1/2	67 1/2	3 14 8/100	15/3	13/6	6 b	B.S.A. Ord. 10/-	22/6	23/9	6 6 0
34 1/2	33 1/2	34 1/2	30 1/2	Chile 6% (1929)	33 1/2	33 1/2	5 0 0/100	19/6	16/3	18 c	Bristol Aeroplane 10/-	14 1/2	14 1/2	7 1 9
90 1/2	77 1/2	103 1/2	100 1/2	Egypt Unified 4%	102 1/2	103 1/2	3 17/100	30/-	30/-	3 a	Fairey Aviation Ord. 10/-	18/5	18/-	4 8 9 1/2
90 1/2	77 1/2	96 1/2	88 1/2	Portuguese 3%	96 1/2	96 1/2	3 2 2/100	13/10 1/2	10/6	17 1/2 b	For Motors Ord. 10/-	31/6	31/6	3 16 0
61 1/2	33 1/2	65 1/2	56 1/2	Spanish 4%	64 1/2	64 1/2	6 5/100	36/4 1/2	37/6	17 1/2 b	Hitler Stiebel 5/-	18/4 1/2	18/4 1/2	8 16 6
Shipping														
								110/-	102/6	20 c	Lucas (Joseph) Ord. 10/-	7/6	7/6	4 0 0
										20 c	Morris Motors 5/-	37/9	37/9	2 4 9 1/2
										20 c	Rolls-Royce Ord. 10/-	105/-	103/9	3 17 0
Shipping														
								23 1/2	20/7 1/2	Nil c	Canard Ord. 10/-	21/3	21/-	Nil
								26/-	23/-	6 c	Furness, Withy Ord. 10/-	23/6	23/6	5 2 0
								34/6	30/3	2 a	P. & O. Def. 10/-	30/6	31/-	5 3 3
								24/9	23/6	6 c	Royal Mail Lines Ord. 10/-	24/-	24/-	5 0 0
								17/6	17/6	5 c	United Castle Ord. 10/-	18/-	18/-	5 11 0
Tea and Rubber														
								8/9	7/6	4 c	Allied Sumatra Rbr. 10/-	7/9	8/-	Nil
								15/3	12 1/2	6 c	Anglo-Dutch of Java 10/-	12/6	13/3	5 19 0
								37/8	31/6	24 a	Jokai (Assam) Tea 10/-	33/6	35/6	5 12 6
								1/10 1/2	1/6	4 b	London Asiatic Rbr. 2/-	1/9	1/9	11 8 0
								14/10 1/2	13/9	3 c	Rubber Plant. Trust 10/-	15/-	15/9	Nil
								1/5	1/5	9 c	United Serdang Rbr. 2/-	1/5 1/2	1/5	Nil
Oil														
								78 1/2	77 1/2	7 1/2 c	Anglo-Iranian Ord. 10/-	88/9	88/9	1 13 9
								62/6	52/6	7 1/2 b	Burmah Oil Ord. 10/-	53 1/2	56/3	3 11 0
								69/4 1/2	63/9	12 1/2 b	Shell Transport Ord. 10/-	65/-	66/3	1 10 0 1/2
								72/6	72/6	5 a	Trinidad Petroleum Ltd.	75 1/2	76 1/2	3 18 0
Miscellaneous														
								61/3	55/-	6 1/2 b	Assoc. P. Cement Ord. 10/-	60/-	60/-	3 0 0
								63/9	55/-	10 c	Barker (John) Ord. 10/-	61/6	60/-	3 6 9
								41/9	38/4 1/2	24 c	Boots Pure Drug Ord. 5/-	41/3	41/3	2 18 0
								40/3	48/7 1/2	3 a	British Aluminium 10/-	49/3	49/9	4 0 0
								103 1/2	96/3	11 1/2 c	Brit.-Amer. Tobacco 10/-	98 1/2	100/9	2 0 0 1/2
								77/6	70/6	7 a	British Oxygen Ord. 10/-	76/6 x	76/9	3 18 0
								128/9	117/6	12 1/2 a	Cable & W. Hdg. Stk.	126/3	127/6	5 6 0
								36/3	33/9	10 c	Caracas 'A' Ord. 10/-	36/3	36/3	4 14 0
								20/1 1/2	20/1 1/2	6 c	Dunlop Rubber Ord. 10/-	31/6	32/6	4 14 0
								66/6	62/6	5 a	Elec. & Mus. Ind. 10/-	23/9	24/-	2 10 0
								37/-	37/-	3 a	Gestetner (D.) 5/-	30/-	30/-	4 3 3
								77 1/2	77 1/2	7 1/2 b	Harrisons & Cros. Def. 10/-	63/9	63/9	1 11 6
								22/0 1/2	22/0 1/2	10 c	Imperial Chemical Ord. 10/-	39/-	39/6	4 3 0
								5/6	4/9	(h) 6 c	Imperial Tobacco Ord. 10/-	7 1/2	7 1/2	7 0 7 1/2
								40/3	33/-	10 c	International Nickel n.p.	55 1/2	51 1/2	3 18 1
								51/9	51/9	10 c	Leeds & Lincoln Ord. 10/-	35/9	35/3	3 12 0
								47/4	47/4	20 b	London Brick Ord. 10/-	53/9	53/9	3 14 0
								102/6	102/6	7 1/2 b	Marks & Spencer 'A' 5/-	47/9	47/9	2 36 0
								30/-	30/-	24 a	Murex (I) Ord. 10/-	107/6	108/9	3 13 3
								66/-	66/-	12 1/2 b	Pinchin Johnson Ord. 10/-	31/6	32/6 x	2 12 0
								68/9	66/6	34 a	Spillers Ord. 10/-	67/6	67/6	4 8 9
								30/-	30/-	10 c	Tate and Lyle Ord. 10/-	67/6	67/6	4 0 0
								94/-	94/-	10 a	Triplex Safety Glass 10/-	31/9	32/-	3 2 6
								78/-	78/-	10 a	Tube Investments Ord. 10/-	93/6	93/6	4 5 3
								30/-	28/6	(d) 15 b	Turner & Newall Ord. 10/-	75/-	75/-	3 16 0
								60/6	56/6	20 a	United Moles Ord. 6/8	28/9	28/6	5 16 0
								5/6	4/9	20 a	Woolworth Ord. 5/-	59/9	59/9	4 4 0
Mines														
								40/3	40/3	10 c	Ashanti Goldfields Prd. 4/-	55/-	55/9 x	5 14 6
								31/3	31/3	20 c	Burma Corp. Ord. Rs. 9/-	4/9	4/9	4 9 0
								61	61	30 c	Cons. Glids. of S. Af. 10/-	46/10 1/2	54/4 1/2	3 13 3
								13/-	13/-	5 a	De Beers (Def.) 10/-	17 1/2	17 1/2	2 16 0
								52 1/2	52 1/2	50 b	Randfontein Cons. Ord. 10/-	35 1/2	37 1/2	2 18 0
								2/6	2/6	5/6 b	Robins & Co. Ord. 10/-	14/9	15/3	3 5 9
								5/6	5/6	Nil	Sig Nibel Ord. 10/-	64	64	7 16 0
								5/6	5/6	Nil	Union C. 12 1/2 fy. pd.	7 1/2	8 1/2	4 18 0
								7 1/2	7 1/2	Nil	W. Witwatersrand 10/-	8 1/2	7 1/2	Nil
Investment Trusts														
								219 1/2	219 1/2	4 11 1	Debutene Cp. Ord. Stock	219 1/2	219 1/2	4 11 1
								220 1/2	220 1/2	4 19 9	Investment Trst. Def. Stk.	217 1/2	220 1/2	4 19 9
								189 1/2	189 1/2	5 1 3	Trustees Corp. Ord. Stk.	189 1/2	189 1/2	5 1 3
								202 1/2	202 1/2	4 18 9	U.S. Deb. Cp. Ord. Stock	202 1/2	202 1/2	4 18 9
Breweries, &c.														
								161/-	161/-	2 9 6 1/2	Bass Ratcliff Ord. 10/-	161/-	161/-	2 9 6 1/2
								72/6	73/6	4 0 3	Courage & Co. Ord. 10/-	72/6	73/6	4 0 3
								89/3	85/3	3 16 0	Distillers Co. Ord. 10/-	89/3	85/3	3 16 0
								118/3	119/9	4 17 0	Guinness (Arthur) Ord. 10/-	118/3	119/9	4 17 0
								96/9	98/3	4 10 3	Mitcheils & Butlers 10/-	96/9	98/3	4 10 3
								91/9	91/-	4 7 9	Watney Combe Def. 10/-	91/9	91/-	4 7 9
								76/9	76/9	4 13 9		76/9	76/9	4 13 9
Insurance														
								25	24	3 15 0	Alliance 10/- fully paid.	25	24	3 15 0
								124	124	4 6 9	Atlas 5/- fully paid.	124	124	4 6 9
								97/6	102/6 x	3 18 0	Gen. Accdt. 14, 10/- pd.	97/6	102/6 x	3 18 0
								25 1/2	25 1/2	3 17 8	Lon. & Lancs. 5 1/2 pd.	25 1/2	25 1/2	3 17 8
								13	13	2 17 9 1/2	Pearl 1, fully paid.	13	13	2 17 9 1/2
								14 1/2	14 1/2	4 0 6	Phoenix 1, fully paid.	14 1/2	14 1/2	4 0 6
								22	21 1/2	2 13 9 1/2	Prudential 1 'A'	22	21 1/2	2 13 9 1/2
								8	8	3 15 0	Royal Exchange 10/-	8	8	3 15 0

April 17, 1943

(Continued from page 512)

Fat Cattle and Sheep Prices.—The present price schedules give the prices for fat cattle until June 27th, and for sheep until July 11, 1943, and for the year July, 1943, to June, 1944, will be on the same general levels as in 1942-43. Only a few minor changes will be made.

Straw Prices.—A further review of prices of straw for paper-making will be made in August. Meanwhile, prices remain unchanged till August 31st, and the Papermakers' Straw Trading Company will continue to buy baled wheat straw at £4 per ton f.o.r., or delivered to the mill, packed in compressed wire-tied bales.

Reduced Cheese Ration.—The Ministry of Food announces that the cheese ration for ordinary consumers will be reduced to 3 ozs. from May 2nd, and allowances to catering establishments will be correspondingly reduced. The ration for special classes of consumers will remain unchanged at 12 ozs., and the special allowances made to industrial canteens and certain other types of establishments will not be reduced.

Agricultural Machinery.—Since March 31st, home manufactured tractor ploughs, binders and threshing machines have only been obtainable by farmers with the approval of their County War Agricultural Executive Committee.

Soya Beans Control.—The Minister of Food has made the Soya Beans (Control) Order, which prohibits the use of soya

beans except for human food or in the manufacture of human food. It also stipulates that any person wishing to buy or sell soya beans, otherwise than by retail, must first obtain a licence from the Ministry of Food. The Order came into force on April 11, 1943.

Raw Cotton Distribution.—The Government scheme for the distribution and handling of raw cotton and the arrangement with the Liverpool and Manchester Cotton Associations have been renewed until March 31, 1944. The scheme has been in operation during the last twelve months and followed the liquidation of Cotton Importers and Distributors, Ltd. The Liverpool and Manchester Cotton Associations have decided to continue the care and maintenance scheme.

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

	Apr. 8, 1943	Apr. 9, 1943	Apr. 12, 1943	Apr. 13, 1943	Apr. 14, 1943
Crops	117.9	117.6	117.7	118.0	118.2
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	146.6	146.4	146.5	146.7	146.8

	Mar. 31, 1937*	Aug. 31, 1939	Apr. 14, 1942	Mar. 15, 1943	Apr. 7, 1943
Crops	147.9	92.2	115.0	117.2	117.8
Raw materials	207.3	122.9	172.7	172.7	182.3
Complete Index	175.1	106.4	140.9	142.3	146.5

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937*	Aug. 30, 1939	Apr. 14, 1942	Mar. 23, 1943	Apr. 6, 1943
Cereals and Meat	95.0	66.9	110.0	110.0	110.0
Other Foods	70.4	61.1	99.5	107.3	107.3
Textiles	74.2	54.3	93.3	92.4	92.4
Minerals	113.2	95.4	130.7	135.9	135.9
Miscellaneous	87.0	77.6	119.8	126.7	126.7
Complete Index	87.2	70.3	110.4	114.2	114.2
1913=100	119.9	90.8	151.9	157.1	157.1

* Highest level reached during 1932-37 recovery.

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

	Stocks (end Year & Month)	Home Trade	Total	% Change from a Year Ago
1937	100	100	100	+ 1.0
1938	94	94	93	- 7.0
1939	86	105	103	+ 10.7
1940	93	118	116	+ 12.6
1941	83	98	99	- 14.7
1942	95	104	...	...
1942, Jan.	109	75	76	+ 17.1
" Feb.	104	119	117	+ 10.3
1943, Jan.	113	76	74	- 2.6
" Feb.	111	112	108	- 7.7

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is not included; figures are therefore comparable throughout.

Source: Board of Trade Journal.

* Publication of Indices of Export Sales suspended in Sept., 1942.

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1858)

CAPITAL (PAID-UP) - £3,000,000
RESERVE FUND - £3,000,000

Branche 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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET
New York Agency: 65, BROADWAY, NEW YORK CITY

LLOYDS BANK LIMITED



EXECUTORS AND TRUSTEES

The appointment of individuals as Executors and Trustees imposes on them heavy burdens and duties which they are not always in a position to fulfil. Especially is this the case in wartime, when life is so uncertain and so many difficulties arise in the administration of estates.

When the Bank is appointed, continuity is assured and a Testator can rely on his estate having the benefit of skilled and experienced management in connection with his investments and with the many other matters incidental to its administration.

The services of the Bank's Executor and Trustee Department are available to customers and non-customers of the Bank. A pamphlet giving terms and particulars will be sent free of charge on application to any Branch.

Head Office: 71 Lombard Street, London, E.C. 3

ASHANTI GOLDFIELDS CORPORATION LIMITED

NOTICE IS HEREBY GIVEN that a Final Dividend (No. 99) of 35 per cent., less Income Tax at 10s. in the £, has this day been RECOMMENDED on the Issued Capital of the Corporation in respect of the year ended 30th September, 1942, and will be payable on and after the 6th May, 1943, to all Members on the Registers on the 8th April, 1943.

THE TRANSFER BOOKS WILL BE CLOSED from the 9th to the 16th April, 1943, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,

H. E. ASHBY, Manager and Secretary.

Temporary Registered Address:
St. Hilda's, Bushey, Herts. 8th April, 1943.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that a Final Dividend (No. 11) of 17½ per cent., less Income Tax at 8s. in the £, has this day been RECOMMENDED on the Capital of the Company in respect of the year ended 30th September, 1942, and will be payable on and after the 6th May, 1943, to all Members on the Registers on the 8th April, 1943.

THE TRANSFER BOOKS WILL BE CLOSED from the 9th to the 16th April, 1943, 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. 8th April, 1943.

AGGREGATE ASSETS
at 31st March, 1942,
£59,317,186

Established over 80 years

BANK of

NEW ZEALAND
Incorporated with limited liability in New Zealand

Represented at over 200 points
in New Zealand and at Melbourne,
Victoria; Sydney, New South Wales;
Suva, Fiji; Apia, Samoa.

LONDON OFFICE:
1, Queen Victoria St. E.C.4.
John Forbes, Manager.

Head Office: WELLINGTON, N.Z.
H.R.H. Chalmers, General Manager.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000
ASSETS EXCEED - £81,000,000
CLAIMS PAID EXCEED - £147,000,000
(1942 Accounts.)

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5200

REGISTERED AS
A NEWSPAPER

APRIL 24, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

The Walls of Jericho - 517

The National Income - 518

Russia's Trade - 520

NOTES OF THE WEEK - 521

On How Many Fronts?; Tightening the Screws in Italy; Coal Production; The Laws of the Republic; Martinique Moves with the Times?; Reinstatement in Employment; Local Government Reform; The Health Services; Debate in a Vacuum; War Pensions Again; Milk Distribution; Women in Conference; Keeping Abreast; Shorter Note.

AMERICAN SURVEY - 525

Wages and Manpower; The Labour Crisis; 1,200 Economists; Hot Water at Hot Springs; FSA Funeral; Dollar Devaluation Powers.

THE WORLD OVERSEAS - 527

Sweden: The Home Front; Canada's Budget; Germany at War.

FINANCE AND BANKING - 532

Floating Debt Policy; Distribution of Bank Deposits; Strength of Argentine Peso.

Sweden: Home Front - 527

German Agriculture - 530

Break-Up Values - 531

INVESTMENT - 533

Railway Politics; Debentures into Preference; Canadian Railway Traffic; Investment Trust Conversion; Canadian Pacific Report; Cunard Accounts; J. and P. Coats Profits; Crosse and Blackwell Results; Union Corporation Report.

INDUSTRY AND TRADE - 535

Future of Civil Aviation; Progress of Road Haulage Scheme; The Rise in Prices; Aircraft Production; Mica Control; Retail Trade; Women's Land Army; Attack on Uthwatt Report.

COMPANY MEETINGS - 538

STATISTICS - 540

The Walls of Jericho

THE news that General Montgomery has launched a new offensive against the Axis positions at Enfidaville brings to an end a week of universal lull in the fighting. In Russia the spring thaw and in the Far East the approaching monsoon will continue to immobilise the fronts, and for the next weeks Tunisia may be the only centre of military activity.

The appearance of a lull is illusory. Everywhere the military machines are being toolled up for the coming offensives, and in Germany, at least, a major campaign of political warfare is preceding the expected clash of arms. There is a spate of writing and talking and a coming and going of diplomats such as Europe has not witnessed since the last desperate attempts to salvage peace in 1939. In all this activity, the Germans have a sort of tactical initiative even although the grand strategy of the war is no longer theirs to control. Their doings are by no means aimless. Behind them lies a military and political pattern, the pattern of a defensive war.

Hitler announced the opening of this phase at the end of 1942 and the winter defeats in Russia have made the plan more urgent. The pivots of it are, of course, a stabilised Russian front and the Atlantic Wall, but even for this defence line, more soldiers are needed. The Ger-

mans are caught in the dangerous spiral of an insufficient labour supply. So total is mobilisation, that a man cannot, practically speaking, be moved from anywhere to the front without a corresponding loss to war output. Hitler needs more men to replace the thousands lost before Stalingrad. There is a limit to the number he can squeeze out of occupied territory without the active co-operation of the authorities concerned, and the extra men who might be called in to supervise the call up and intimidate the recalcitrant are themselves needed at the front or in the war effort. The Germans must therefore try to increase the amount of voluntary co-operation hitherto received, but they must do it without using a show of force, which would only entail a further waste of manpower.

On the face of things, it seems fantastic that Hitler at this stage should reverse his earlier "new order" policy and seek to win the collaboration of peoples he has pilaged for over two years. But this is undoubtedly the underlying strategy. The first line is the offer of better conditions. Gayda published a summary of the new "new order" in the *Giornale d'Italia* of April 4. He grouped it under six headings: "recognition of the right of all national European states, great and small, to liberty,

independence and full sovereignty"; permanent collaboration between the European peoples on the basis of their common interests and civilisation; a just redivision of the earth's goods and raw materials; freedom of national and economic development for each nation; freedom of the seas and of trade; "justice and social peace within every state." This attractive programme is having little effect—the peoples of Europe have had to endure a lot of rhetoric in their time; but it gains a certain importance, partly because the Germans are at the same time exploiting, with some success, the Bolshevik bogey, partly because some of the concessions offered may be real. Germany's desperate need has given a little elbow-room to all the satellites, and in the case of Boris, Horthy, and Antonescu possibly, and of Mussolini and his advisers certainly, the recent meetings with the Fuehrer did not end with the issue of marching orders, but were genuine negotiations with concessions from both sides.

The picture the Germans are trying to build up is of a condition of impenetrable siege within the *Festung Europa*, protected on both east and west by two stabilised fronts. The German Press is full of accounts of the Atlantic Wall—"not a man without reinforced concrete covering" is said to be the Fuehrer's new slogan. However, the mere building of a picture is far too gradual and passive a method. The Nazis' chief concern is to use the background of feigned security for a vigorous political offensive against the West and against the "doubters" inside Europe. The damning of Russia as the beast from the pit continues, and new atrocities have been brought to light by the Germans just when Polish-Soviet relations have reached a rather delicate stage. The "defence of European civilisation" is plugged incessantly and, if Dittmar is to be believed, volunteering for the anti-Russian army has improved in Eastern Europe. In propaganda to Britain and America, peace offers accompany the anti-Soviet line. Count Jordana has obligingly come out with an offer to mediate; Gayda has openly spoken of the Axis' readiness for a patched-up peace with anyone except Russia; Weizsaecker, one of Germany's most experienced diplomats, has been sent to join Ciano at the Vatican to see, no doubt, what cross-currents can be picked up, and what rumours can best be set in motion.

Budget White Paper—II

The National Income

THE White Paper issued with the Budget professes to deal with the two subjects of "the sources of war finance" and "the national income." As was pointed out in the article in *The Economist* last week, which discussed the first of the two subjects, it is impossible to keep them apart, especially in wartime, when the activities of the state occupy so large a proportion of the total national economy. But at bottom the two questions are distinct. The first, and smaller, of the two can be phrased in ordinary language as "where does the Government get the money to pay for the war?" and it was to this that last week's article was chiefly addressed. The second, and more embracing, question is "How does the nation as a whole make a living, and what does it go on?" It is this that the present article, with the assistance of the White Paper, will attempt to elucidate. It should, however, be said at the outset that there are still gaps in our knowledge that the White Paper, improved as it is from year to year, does not fill. The official estimator must proceed cautiously; the private statistician can afford to take a few more risks if by so doing he can make the whole subject more intelligible. It is believed that the picture presented in this article is true in its major proportions; but it must not be held to precise accuracy.

What is the size of the national income? It has been

The picture has a certain consistency, but only because the darker colours have been left out. Europe may be a fortress, but bombs do not stop short at concrete emplacements on the sea shore. All travellers from Germany are agreed on the really devastating effect of the raids. The grandiose talk of "free economic development" covers an ugly reality, in which there is no slack to take in and no possibility of any added output. Above all, there are signs—of all things most dangerous to a dictator state—of a crisis of confidence in Germany. In his broadcast to the Germans on April 19, Goebbels had actually to apologise for the Fuehrer's absence, to explain away his depression and fatigue and remind his hearers that

If a people must shoulder a great risk to preserve its existence, it is better to ban the devil of doubt and discord . . . Confidence is the best moral weapon of all. If that begins to be found waning, it is the beginning of the end.

The Nazis are planning and manœuvring desperately to make the best of a very bad job, but the answer of the Allies should not be to rely on Germany's difficulties to bring the whole edifice tumbling down. There should be no confusion of Hitler's European fortress with the walls of Jericho. Marching round seven times, blowing trumpets, will not bring them down. The Allies have to be as resourceful and resolute in their offensive strategy as the Nazis are seeking to be in their defensive. First of all, against the prattle about mediation and negotiated peace the Allies must reiterate the unconditional surrender clause of Casablanca. Far more urgently, they must set about their fighting now. The Atlantic Wall may yet be the Germans' Maginot Line, but only on condition that it is attacked and turned. The time factor is crucial. Just as in Tunisia the loss of initiative in the first stages cost the Allies months, so any delay in Europe may cost them years. Hitler's greatest weapon against the Grand Coalition has always been their illusion that time is on their side. A year's successful defensive strategy will not weaken the Germans. They might gain a space in which to bind their wounds and make good their deficiencies. Hitler is obviously playing for time. It is the one thing the Allies *must* see he does not have.

pointed out at length in these columns in previous years that there are several possible definitions of what is loosely called "the national income." It is not proposed to repeat this discussion here; it must suffice to say that the official estimates are of "net national income at factor cost"—"net" because it is arrived at *after* (financial) provision has been made for the maintenance and replacement of existing capital, and "at factor cost" because it takes no account either of the inflation of money values caused when the state imposes indirect taxes which are added to the prices of articles of consumption or of the corresponding deflation of money values that occurs when the state grants a subsidy. But for many purposes both these missing elements are needed. When income is to be compared with expenditure, the comparison can best be done, not at "factor cost," but "at market price," for it is in terms of the latter that statistics of expenditure are kept. This adjustment is easy. And though for many purposes it is as well to know the size of the *net* national income, the layman will find it easier to understand a conception that embraces the whole flow of goods and services produced in a year, rather than one that concerns itself only with a part—though admittedly the larger part—of the total flow. Unfortunately, this adjustment from net to gross cannot be made accurately, since no figures

are available of allocations to depreciation accounts, sinking funds, etc. This is the most serious lacuna in present British statistics, but until it is remedied the statistician is compelled to resort to the most unsatisfactory device of adding a fixed sum of £475 million each year—this being the tentative estimate advanced in last year's White Paper.

With this preliminary explanation, the balance sheet of income and expenditure can be set out for 1938 and 1942.

INCOME		EXPENDITURE		
	1938 (£ mn.)	1942 (£ mn.)	1938 (£ mn.)	1942 (£ mn.)
Net national income at factor cost	4,490	7,384	Expenditure on:—	
Indirect taxes <i>less</i> subsidies	622	1,219	Consumption	4,035
			Government	845
Net national income at market price	5,112	8,603	Maintenance and increase of domestic capital	(762)
Depreciation, etc., funds	(475)	(475)		(302)
Gross national income at market price	5,587	9,078	Total	5,642
				9,710

The third item on the expenditure side—"expenditure on the maintenance and increase of domestic capital"—was, in 1942, insufficient to maintain the existing capital of the country. The difference between the totals of the two sides, amounting to £55 million in 1938, and £632 million in 1942, is the volume of overseas disinvestment (drafts on capital).

Direct comparison of the two years in the above table is prevented by the great change in the value of money. This year, for the first time, the White Paper includes estimates of the real volume of consumption; the money rise from £4,035 million to £4,800 million conceals a fall of 18 per cent in real terms. The White Paper explicitly states that these price ratios do not apply to Government expenditure. For obtaining a view of what has been happening to the national economy, it is most important to be able to translate the money figures into real terms, and it is, therefore, here proposed, despite the warning in the White Paper, to guess at the change since 1938 in the value of money when spent on the objects of Government expenditure. The rise in these prices will be considerably less than the 45 per cent increase in market prices of consumption goods. For one thing, the inflating effect of indirect taxes has been much smaller on the sort of goods that the Government purchases than on consumption goods. For another, while the efficiency of the consumers' goods industries has been declining, under the pressure of the call-up and other wartime difficulties, there has been a growth in the efficiency of the munition industries. It is proposed to assume a price rise of 30 per cent in 1942, of 25 per cent in 1941, and of 15 per cent in 1940. These figures are nothing but the merest guesses; but it is unlikely that their inaccuracy seriously affects the results. The same proportions are applied to capital expenditure. With these adjustments, the figures for later years can be translated into "1938 pounds"—that is, into pounds of the purchasing power they had in 1938:—

(millions of pounds of 1938 purchasing power)

	1938	1940	1941	1942
1. Consumption	4,035	3,551	3,408	3,408
2. Government expenditure	845	2,660	3,355	*3,545
3. Maintenance and increase of domestic capital	762	395	220	232
4. Overseas disinvestment	— 55	— 658	— 638	*— 485
5. Gross national income	5,587	5,948	6,345	6,700

* 1942 was the first complete year in which Lend-Lease was in operation; this has the effect of making both Government expenditure and overseas disinvestment less than they would otherwise be.

From these figures it is possible to show in simple and precise (and probably fairly accurate) terms from what sources the community has gathered together the formidable aggregation of men, materials and machines with which it is fighting the war. Government expenditure, in terms of 1938 pounds, has increased from £845 million to £3,545 million and the increase can reasonably be taken as the cost of the war in 1942. The sources from

which this increase has been met are shown in the following table:—

	Millions of 1938 pounds
Cost of the war in 1942 (increase in item 2)	2,700
Derived from:—	
Increased production (increase in 5)	1,113
Reduced consumption (fall in 1)	627
Reduced provision for domestic capital (fall in 3)	530
Overseas disinvestment (change in 4)	430
Total	2,700

This table is a statement, clearer than has ever been possible before the present war, of what happens to a national economy (or rather to the British national economy, for other nations are differently placed) when it is subjected to the strains of total war. The figures are unlikely to be precisely accurate; but it is the general picture they draw, rather than the precision of the estimates, that is important. They permit three significant generalisations to be drawn.

First, the cost of the war in 1942 was, in real terms, almost half the Gross National Income of 1938—that is to say, the community succeeded in 1942 in devoting to the purposes of war an aggregation of goods and services equal to half of its total gross output before the war.

Secondly, this total cost was met, as to rather more than two-fifths, by increased production; as to rather less than a quarter by reduced consumption; as to one-fifth by failing to maintain—still less to increase—the domestic capital of the country; and for the rest by drawing on the accumulations of overseas capital or by going into debt to foreign countries.

Thirdly, about two-thirds of the real economic burden of the war is being borne by the generation that is fighting it, by the means of working harder and consuming less.

But the final third is being met out of the accumulations of past generations, or left to be carried by posterity. The fraction of one-third is larger than was thought possible at the beginning of the war. This has been unavoidable. But it is the measure of the permanent economic effects that the war will leave behind. The productive equipment of the nation will not have been maintained; and its income from abroad will be both curtailed and mortgaged. These facts cannot be ignored. The magnitudes involved are not enormous; the sum of overseas disinvestment and domestic under-maintenance for all three war years is about £2,000 million at 1938 prices, or less than half of a year's *net* output. But neither are these sums negligible and they will affect the post-war standard of living. Before the war, the attainment of Full Employment would have raised the standard of living; after the war, it will be needed to keep the standard of living at the pre-war level. Before, the alternative was between more wealth and more leisure. The war has not yet had such costly permanent effects that we shall have to produce more and consume less; but we shall be faced with the choice of more production or less income. That, in the long run, will prove to be the economic cost of Hitler.

WHITE PAPER STATISTICS

By a most regrettable error, Table B from the White Paper was reprinted in *The Economist* of last week (April 17, page 498) under the heading "Personal Expenditure at Constant Prices." This should have read—

PERSONAL EXPENDITURE AT MARKET PRICES.

Readers preserving the tables for reference should make the correction in their copies.

Russia's Trade—II

THE question which follows from the survey of Russia's foreign trade in the inter-war period is: Under what circumstances will Russia be able or willing to switch over from self-sufficiency to international trade? What are likely to be the forces impelling her in that direction, and what are the foreseeable obstacles?

The factors which are likely to favour a re-orientation of Russian trade policy have frequently been described in the columns of *The Economist*. They are: the devastation of industry and agriculture throughout Russia's western fringe; the exceptionally extensive rate of unreplaced wear and tear in Russian industries at large, and in Russia's mechanised agriculture; the shift of the centres of gravity of Russian economic life to the Urals and to Asia; and the new relationship to the outside world in which Russia will find herself as a result of Lend-Lease and Reciprocal Aid. The ultimate scope and strength of each of these factors cannot be gauged while the war is still on; but it seems safe to assume that, on balance, they will tend to make Russia more dependent on foreign trade than she has hitherto been.

While all this is true, it would, nevertheless, be a fallacy to think that the changes brought about by the war will compel any abandonment of autarky by Russia. No automatic results can be taken for granted. It is true—at least on the face of things—that the rebuilding of Russia would be greatly helped by an ample supply of goods from abroad. The war has obviously interrupted, for a time, Russia's economic advance, and will have thrown the country back to a level substantially below that reached through the enormous effort of the three Five-Year-Plans. After this war, Russia may in some respects find herself confronted with difficulties similar to those she had to overcome after the civil war. But there will also be one decisive difference. In the early 'twenties Russia started the work of reconstruction from scratch. The level from which she will start this time will, of course, depend on the duration of the war; more than for any other country, the prolongation of hostilities spells for Russia the destruction of fixed capital and labour reserves. But it is almost certain that her productive capacity after the war will, in any case, be sufficient to allow for a tempo of reconstruction considerably quicker than that of the 'twenties. Russia cannot be thrown right back to the old starting point. The permanent achievements of industrialisation will be Russia's great assets after the war, as they have proved to be during the war, no matter which course—autarky or international trade—is set.

In theory, it should be possible for Russia to make one or two Five-Year-Plans of Reconstruction, based almost exclusively on the use and development of domestic resources. The volume of productive capacity with which the country emerges from the war would then constitute the initial material basis for new economic expansion. There is no reason why a totally state-owned industry and a state-controlled agriculture should not be able to cope with that task—within the framework of a closed national economy. The scope for achievement is given by Russia's vastness and by her immense natural wealth.

But the drawbacks of autarky are obvious. They would reproduce on a much wider scale and with greater force all the familiar features of the inter-war period: the lack of balance between producers' and consumers' goods; the chronic under-consumption of the people; the low productivity of labour; and so on. The domestic resources of a closed national economy at any given time are limited. The amount of resources that is allocated to producers' goods sets absolute limits to the proportions of fixed capital, raw materials and labour which can be spared for the production of consumers' goods. Any autarkic scheme for reconstruction would again be bound to give priority to heavy industries at the expense of consumers' goods,

probably over a period of many years. "Structural self-sufficiency" turns out to be a rather elusive phantom. True, the statistician may again prove—as he did in the past—that his country has been able to cover a hundred per cent of its needs of tractors by home output, instead of by import; but this will be so because 50 or 60 per cent of the domestic need for, say, textile machines will not be covered at all. The balance would be even more heavily turned against consumers' goods if soon after the war Russia had to draw on her shrunken domestic resources in order to make massive repayments for Lend-Lease, or in order to meet new and large defence expenditure—both of which are not impossible consequences of an all round relapse into autarky. The question whether, or for how long, Russia would be able to bear all these burdens, after three decades of more or less pronounced under-consumption, belong to the sphere of politics rather than to that of economics.

A conversion from autarky to international trade ought to provide easier solutions for most of the problems. But here the short term prospects are distinctly different from the long term ones. Immediately after the war, Russia's export capacity will be very considerably reduced (except perhaps in oil and timber); so that she will be able to benefit only to a limited extent from the sellers' markets which can be expected for a few months, or perhaps years. In this period of the sellers' market it will be her fate to appear mainly in the rôle of buyer. From the outset, therefore, the crucial question will be posed: the extent to which Russia will be able to resume full membership in the world trade system will depend on the extent to which that system is given a liberal character and is assisted by a liberal credit policy. This will, of course, be equally true for most of the European countries, but Russia is likely to provide the most extreme and striking illustration of the general rule, and the economic implications are bound to be more far-reaching and novel than in any other country.

In the somewhat longer run Russia will, of course, recover her full export capacity. Two phases can be foreseen. At first, Russia will remain predominantly an exporter of primary products. Two or three good harvests may make it possible to spare large surpluses in cereals, which together with oil and timber have formed the bulk of Russian exports in the past. Cotton, the cultivation of which has been greatly expanded in some Asiatic provinces, may become a new item in Russia's export trade. But it is hardly likely that in the long run Russia will put up with the rôle of an exporter of primary products. The doctrine of industrialisation has struck too deep roots in the minds of the Russian people. The present generation of Russia's economic leaders has been accustomed to think of trade between primary producing and manufacturing countries in terms of "colonial or semi-colonial exploitation." The experiences of the Great Depression, in which Russia was so severely handicapped by the disparity in the prices of primary products and manufactures, could only confirm this attitude. In the longer run, therefore, the tendency to industrialise exports is most likely to become the dominant feature of Russian trade policy. This tendency was already explicit in the inter-war period; and it was a point of national pride that in a number of articles Russia was able to change from an importer into an exporter. This was true of agricultural machines, motor-cars, tractors, textile machines, sewing machines, electrical bulbs, iron ore, coal and coke, asbestos, cement, fertilisers and tanned leather. The quantities exported were admittedly very low; and after the war it will certainly take a considerable time before Soviet exports can assume a predominantly industrial character. It may require even more time before Russia is able to compete successfully with other industrial exporters on European markets.

In this context, the geographical trends of Soviet trade are of some interest.

THE SHARE OF INDUSTRIAL COUNTRIES IN RUSSIA'S IMPORTS

(In percentages of the total)				
	1913	1926/27	1930	1937
United Kingdom	13	14	7	15
USA	6	21	25	19
Germany	48	23	24	16
France	4	3	3	2
Japan	0.3	0.5	2	4

The striking feature is the decrease in Germany's share and the increase in imports from the USA. The British percentage has on the whole remained stationary with intervening fluctuations. The recent rise in imports from Japan is explained by the needs of industrialisation and electrification in the Soviet Far East. On the export side the position is somewhat different.

THE SHARE OF INDUSTRIAL COUNTRIES IN RUSSIA'S EXPORTS

(In percentages of the total)				
	1913	1926/27	1930	1937
United Kingdom	18	26	27	33
USA	1	3	4	8
Germany	30	22	20	6
France	6	7	4	5
Japan	0.1	2	2	2

Among the great industrial countries, Great Britain was the main buyer of Russian goods. The United States' share was steadily growing, but not in proportion to the growth of Russia's imports from the USA. The German market was definitely losing its importance for Russia. The basic trends reflected by the two tables are almost certain to continue after the war.

An analysis of Russia's trade with her Asiatic and European neighbours also shows some interesting trends. For the purpose of the comparison the Asiatic countries—Afghanistan, India and Ceylon, Iran, China, Outer Mongolia and Turkey—have been grouped together under one heading, "the Asiatic Zone," and Scandinavia, the eastern and central European and the Balkan countries have been grouped under the heading of "the European Zone."

NOTES OF THE WEEK

On How Many Fronts?

The United Nations' bomber offensive against the Axis is still growing. The events of last week-end marked another stage in the crescendo, and suggest that it will not be very long before attacks come from all points of the compass at all times of the day and night. Round the clock bombing is now being systematically developed. On Saturday, April 17th, the raid which the USAAF made on Bremen by day was followed by RAF night attacks on Skoda and Mannheim. Over the same week-end, the Red Air Force attacked Königsberg and Danzig from the east. Meanwhile, Italy and Sicily are being bombed both from the north and from the south, by planes based on Britain and North Africa. This cross play is only in its earliest stage, and it will grow. The war on two fronts is outmoded. Since the third dimension has been called in, every enemy target is potentially threatened with attacks from every direction. The significance of this, from the standpoint of German industrial location, is that nothing is safe. Time, labour and materials spent in industrial evacuation are a waste of resources. No arsenal, however central and remote, dare fail to be equipped with the strongest defences. The force of men and material in the German AA and searchlight commands, not to speak of civilian ARP, which is contained by the bomber offensive is increasing. The size of the artillery bombardment which is blown into the air, daily and nightly, cannot be far below the scale of the artillery barrage before Alamein. British losses in the raids on Skoda and Mannheim were exceptionally heavy; 55 planes out of 600. But, even judged against the damage directly inflicted on the targets, the profit is worth the loss. Relatively, the American raid on Bremen, one of the first heavy United States raids on Germany, was also costly. The USAAF is

THE SHARE OF THE TWO ZONES IN RUSSIA'S TRADE				
	1913	1926/27	1930	1937
<i>In imports:</i>				
Asiatic zone	15	16	12	16
European zone	9	11	15	6
<i>In exports:</i>				
Asiatic zone	9	11	13	15
European zone	13	17	12	8

Russia's interest in the Asiatic market was growing steadily, whereas her interest in the European sphere to the north, east and south of Germany was on the whole declining. Russia could not hope to compete successfully with the other industrial countries in Europe; in Asia, however, she enjoyed the advantages of geographical proximity, advantages which will be even greater to the extent that it proves possible over the years to industrialise Russian exports. The transfer of industries to the east points in the same direction. It may, therefore, be guessed that the pre-war trends will continue. In a world market that permits of multilateral trade, Russia will tend to sell to Asia in order to cover her excess of purchases from the great industrial nations of the west.

But this long-run development will inevitably be affected by the fact that Russia will emerge from the war as a debtor nation. From the point of view of the Russian economy in the inter-war period this marks a decisive turning point. It was Lenin who used to repeat (after J. A. Hobson?) that the interdependence between creditor and debtor is, as a rule, much closer than that between buyer and seller. On the one hand, that "closer interdependence" may result from Lend-Lease. On the other hand, it is bound to be enhanced by Russia's peculiar position in relation to the world market, during the critical period immediately after the war. She will need very large imports; but she will also need a long breathing space, before she can pay for them by her own exports. Any hope of bringing Russia back into the western system of international trade will be shattered if she is not given the means of affording an adverse balance of payments during the first years after the war. The extent to which this change will affect the monopoly of foreign trade and the whole currency and credit system which was established in the inter-war period will form the subject matter of the last article of this series.

still only at the beginning of its offensive against the Reich, but the scale is mounting.

* * *

Tightening the Screws in Italy

According to travellers recently in Italy, there is at last a real sense of tension among the people. Hitherto, the war, though detested, was shrugged off. People felt that somehow they would manage and that it was all a long way off. Two years ago, Ansaldo made his "Woe-woe" speech, accusing the Italians of being more interested in football than Abyssinia. Until recently, that happy-go-lucky temper prevailed. It had its advantages. Revolts have never started among careless and indifferent people. There was at no time the slightest danger of the split in the regime

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

200 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38, Threadneedle Street, E.C.2.

West End Branch: 198, Piccadilly, W.1.

so confidently expected in some quarters outside Italy. This year the temper has changed. The losses on the Russian front, the loss of the Empire, the bombing raids have introduced completely new factors into the experience of the Italian people. After months and months of "phoney war," the bitter reality is upon them, with worse to come. The problem facing the authorities is how the Italian people will react to the new severity? Will they stiffen, like the British after Dunkirk or the Germans after the first winter campaign in Russia? Or will they crack? The recent increase in supervision suggests that Mussolini is inclined to take no chances with his warrior nation. For some time past, the Fascist party officials have been called on to increase their activity and vigilance. It looks as though the former party secretary, Vidussoni, has not proved energetic enough for the new drive for total control. Scorza, who replaces him, is an Old Guard Fascist, a militia man with a reputation for toughness. It is no coincidence that the Chief of Police has been changed at the same time.

Coal Production

The exceptionally mild winter and early spring may tend to make the public forget that a serious coal position still faces this country, and Major Lloyd George gave a timely reminder last week-end that the coal crisis is by no means over. Production, which should normally be going up at this time of year, is each week 100,000 tons less than in the same week of last year—and this in spite of the fact that there are 5,000 more men in the industry than a year ago and in spite of the campaign for increased output and the publicity surrounding the "Battle for Fuel." Various reasons for the drop in productivity have been advanced, such as the growing age composition of the labour force, the fact that the best men are in the Forces, the failure of the district output bonus scheme and the miners' dissatisfaction with their working conditions; but none of them seem adequately to answer the question—what is wrong with the coal industry? It is to be hoped that there will soon be an opportunity for the Minister to throw some light upon the matter and to report upon what progress has been made with the scheme for reorganisation which was projected last June. The Government's White Paper indicated that output would be increased by concentration of men and machines on the most productive pits and seams, the introduction of more mechanisation, the grouping of pits and in general an extensive rationalisation of the industry. Such a programme should be beginning to bear fruit by now; instead, coal output is down and productivity per head is low. In view of the need to increase production this summer in preparation for the winter, every possible measure should be taken to increase the efficiency of the existing resources, since little fresh intake of labour can be expected. It is clear from another twelve months' experience that no plan of reorganisation, however far-reaching and drastic, can now be safely dismissed or deferred, if it would have the effect of increasing output—and similarly that no plan can be considered at all unless it would have that effect. Meanwhile, consumption will have to be further curtailed, and it is to be hoped that the plan for fuel rationing, which was turned down last summer, is being kept in cold storage and has not been relegated to a Whitehall shelf. A more immediate problem is the difficulty that has developed in connection with the Greene conciliation scheme which is due to come into operation on May 1st. The Northumberland and Cumberland miners object to the provision that makes reference of district disputes to the National Tribunal dependent upon the agreement of both sides.

The Laws of the Republic

The discussions of the French National Committee on General Giraud's memorandum closed on a more optimistic note than was generally believed possible. The full text of this memorandum has now been made public. General de Gaulle's reply, which General Catroux has conveyed to Algiers, is known to contain certain stipulations and amendments, but the sphere of agreement is considerable. The generals are apparently agreed that the aim of all resistance and military effort is to restore the laws of the Republic in force before June 22, 1940, and to arrange for the holding of free elections. Unanimity on this point is, of course, of tremendous, overriding importance. Before it, all differences

of method appear insignificant. But it still remains true that the form of provisional government and the relation in the meanwhile between the civil and military authorities will have a very marked and enduring influence on the type of freely elected government which eventually comes into being. These questions—the composition of the provisional executive, which General Giraud proposes to call the French Council for Overseas Territories, and the relation between civil and military authorities, from the time when the Council is set up until the time when France is wholly liberated—are still open. In theory at least, it is all plain sailing from the moment French soil is freed. The departmental *Conseils-Généraux* choose by secret ballot delegates to form a Government in accordance with the Law of February 15, 1872. This body arranges for normal elections to be held when the workers and prisoners are back from Germany. Then, the nightmare will be over, and July 14th will again be a national festival. But the agreed aims of both generals can only be realised if there is in the meanwhile an almost superhuman determination not to exploit the situation. It has often been claimed that the French collapse took place because the democratic constitution was rent by irreconcilable extremes. The point has never been proved, but it will be proved, one way or the other, by the interim negotiations. The provisional government must not be a party affair. Fear to represent in it all the shades of opinion that can be represented, and exaggerated suspicion of the civilian by the military, or of the military by the civilian, could still prevent the resurrection of French democracy.

Martinique Moves with the Times?

As things stand at present, agreement with Admiral Robert of Martinique and Guadeloupe remains out of the question. But his letter to the Associated Press certainly represents a move away from his former pro-Vichy intransigence. Apparently, there are terms on which the Admiral would consider joining the Allies; and the terms amount to being allowed to have a foot in both camps. Thus, Admiral Robert must be assured that he will not be forced into rebellion against the "French Government." In the circumstances, no absence of plain speaking can make this mean anything but Vichy. Yet, he stipulates that the Allies must vest French sovereignty in a unified Fighting French movement. This statement of his position puts Admiral Robert out of court. He cannot serve Vichy and the Republic. It also throws into relief the large measure of agreement between Generals Giraud and de Gaulle. There is between both of them and Admiral Robert a real difference of principle such as does not now exist between the aims of their own two movements. It would, of course, be absurd to insist too rigidly on the logical inconsistencies of the Admiral's attitude. After all, it is either an attempt to climb down gracefully, or an attempt to show bogus good will by imposing terms which he believes to be impossible. If the Admiral wishes, at the eleventh hour, to insure his personal future, he will have to try again.

Reinstatement in Employment

A recent case heard in the High Court revealed the extraordinary position that may arise from the operation of the Essential Work Order. A certain firm, Ultra Electric, Limited, applied successfully to the national service officer on May 18th last year for permission to dismiss seven employees on the ground that there was no work for them. One of these employees appealed, under the terms of the Order, to a local appeal board, which recommended to the national service officer that she should be reinstated in the firm's employment from August 10th. The firm was given a direction to this effect. But when the employee presented herself for work on that date, there was none available. She was told, however, that she would receive her wages, and she continued to receive them though she was never given any work to do. The national service officer thereupon preferred an information against the firm on the ground that it had not reinstated her in employment, but the magistrates dismissed it, and the High Court upheld their decision. In giving judgment, Mr Justice Charles said that reinstatement in the circumstances of the order connoted the putting back of a person, so far as was humanly possible, in the same position as he or she was when dismissed. He disagreed with the idea that the giving of work was not to have any consideration, for "work" and "wages" were closely linked up in the order. But it was

quite clear that the firm in question had done all they could to give their employee work when she appeared on August 10th; consequently, although there was no work for her to do, they had reinstated her. The immediate interest of this case is that it has shown the fallibility of the Ministry of Labour's local appeal boards. At a time when every pair of hands is wanted, one pair is allowed by the law to remain idle though its owner is receiving wages of £2 12s. 3d. a week. But Mr Justice Charles enunciated some principles which should have a wider application. Reinstatement, "so far as humanly possible, in the same position as he or she was when dismissed..." and the inseparability of work and wages—these, it is hoped, will eventually be the guiding principles of unemployment policy, disability benefits and workmen's compensation.

Local Government Reform

As the Government's reconstruction plans are gradually made known, it becomes more and more clear that the pre-war mistake of burdening local authorities with tasks for which they are unfitted still prevails. The health services, education, housing, town and country planning—in all these cases, it seems, the local authorities are to continue to be the agents of the central government, although before the war many of them had shown themselves unable to carry the load. Central government must, of course, be administered locally. The question is, should it be administered by local branches of the central government or by the popularly elected local authorities, and, if the latter, how can they be fitted to do so? The Labour Party's reconstruction committee has no doubt that it is the popularly elected local authority system which must be preserved. It forms, says a report to be submitted to the party conference, "an essential part of the framework of our democracy." But the report is equally sure that it must be radically reorganised. This reorganisation, it is proposed, should be based on the now familiar device of regionalism, but a distinction is drawn between wartime regionalism, which is central government writ small, and the Labour Party's own proposals, which would be local authority writ large. Briefly, the report suggests a regrouping of local government areas, mainly on the basis of the present county areas, but well-balanced with regard to industry, agriculture, commerce and residence. Within each region there should be area authorities to administer purely local services—as an example of the division of function, it is suggested that hospitals and health centres, ambulances and the school medical service should belong to the region, while maternity and child welfare should belong to the area authority. It is strange that the committee seeks to preserve the old rating system, though admittedly drastically revised, and did not even discuss other means of raising local revenue, such as a local income-tax. Indeed, the question of finance is crucial. No authority can have the virtues of independence unless it has independent sources of finance, which certainly cannot be derived from the rating system. But with the main idea underlying the administrative proposals, there will be general agreement, and it is worth noting that, in the only hint so far given of the Government's policy for local government reform, the Minister of Health spoke of the need for larger local authority areas. What is essential is that reform should come before reconstruction plans are formulated, not after.

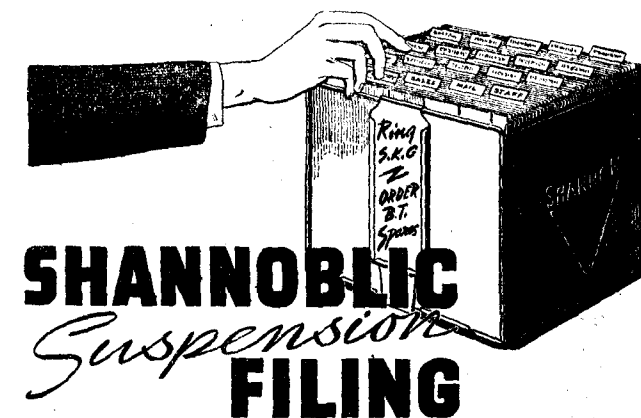
The Health Services

The Labour party's reconstruction committee has followed up its proposals for local government reform with a scheme for a state medical service. Unlike the Government, it has at least put first things first, for a precondition of its scheme for the health services, and of any scheme to be administered by the local authorities, is the reform of local government. But the committee's report on the health services suffers from this sensible and logical procedure, because so much has been written and said about them in recent months that its recommendations read like clichés. A health service that is preventive as well as curative, comprehensive and open to all—such unexceptionable principles have been accepted by Government, doctors and public alike since the publication of the Beveridge report and even earlier. Nor is there anything really new in the proposals for making these principles effective. A central health authority, local health authorities, a co-ordinated hospital system, health centres and a specialist

and consultant service—these, too, have a very familiar ring. But on a point which is still at issue among many of the health reformers, the Labour party has taken its stand, and that is on the question of doctors' payments. It recommends that they should be full-time, salaried and pensionable state officials. They are, apparently, to be allocated where they are needed, and can be sent to Durham or the Rhondda Valley, rather than to Harley Street, if the authority so desires. How this squares with the freedom of choice of doctor—and of patient—is not clear. Possibly the Labour party considers it unimportant, though it regards good doctoring as "a very individual business," and states that patients should be able to change their doctors if dissatisfied. But it is just this question of how to square the socialisation of administration with extreme individualism in practice that makes it so difficult to plan the medical services. The one must be secured, the other must be preserved. But a complete answer to how it is to be done has not yet been given.

Debate in a Vacuum

The debate in the Lords on Lord Cecil's motion that the Government should outline more specifically its plans for the setting up of an international authority was an interesting review of the Government's earlier pronouncements, but it did not achieve the desired result. Lord Cecil and Lord Davies were undoubtedly led to raise the question by their concern over the lack of definition in almost all the official utterances on post-war co-operation. Lord Cranborne, save on one or two points, referred them back to the Prime Minister's broadcast and to Mr Eden's recent speeches—which is where they had started from. Several points were, however, underlined—the complete unanimity of all shades of political opinion on the need for international organisation; the Government's determination to accept full responsibility for the functioning of an international authority and not to enter it "lightheartedly" as it did after the last war; the necessity of putting overwhelming force behind the international authority; the disarmament of the aggressors. Another point implicit in the Lords' discussions was the difficulty of improving on



Puts vital information at your fingertips

Shannobic folders never slip under or ride up because they hang on a metal frame. The hangers carry the weight. They are easily removed and replaced. Large, angled, celluloid tabs, adjustable to one of five positions, allow flexibility of indexing and give immediate identification of folders. Shannobic Suspension Filing will fit YOUR filing cabinets and desk drawers. Let us send you details.

Or the Shannobic Desk Top Unit, a rigid all-metal frame with 20 Shannobic Suspension Folders, is ideal for use on war-time emergency desk tables or as an extra desk top filing drawer. Price complete, 37/7 quarto, 42/7 foolscap, including Purchase Tax. Post free in Great Britain only.

To comply with Paper Control Order 48, please send 1d. postage stamp for leaflet.

Shannon

IMPERIAL HOUSE (Dept. C5), 15-19, KINGSWAY, LONDON, W.C.2
And at Birmingham, Bristol, Liverpool, Manchester, Newcastle, Glasgow (Agents)

the League ideal, provided the Powers recognise, as they must, what Lord Cecil called "the strong desire" of the nationalities "to be independent and not under the control of any other nationality." A Confederation or League of Nations is the only conceivable form of international co-operation; but, as Lord Samuel pointed out, this Confederation could act through a great variety of international economic and social institutions—ILO, World Court, Clearing Union, Civil Aviation Corporation. This mixture of the political and the functional is undoubtedly the most promising and fruitful approach. It is all the greater pity that Lord Cranborne passed over it in his reply for the Government. The impression created by the debate was one of general but vague good will and a great deal of unsettled problems.

War Pensions Again

The Prime Minister's refusal to move the appointment of a Select Committee of the House of Commons to consider war pensions has led Sir Ian Fraser to table the motion on his own account. He has the support so far of over 60 Members. Whether a Select Committee would be the best body to consider war pensions is debatable, but there can be no doubt that an independent investigation of the principles on which they are granted or refused would do much to dispel the feeling that the Government always tries "to do a man out of his pension." Mr Churchill was hardly right when he said that the essential principles of the war pension system were not questioned. Over and over again the case has been raised in the House of the fighting man who was passed fit at his medical board, has served some months, and has then died, or been invalided out, without the grant of a pension to himself or his dependants because the disease was not held to be attributable to his war service. The principle of attributability is attacked almost as often as the amount of pension paid to those who do receive them, and it is attacked mainly from ignorance of the Government's motives in adopting it. If, as can be accepted, those motives are sound, the publicity given to them by the investigations of a committee should be welcome to the Ministry of Pensions, which is in the unenviable position of fulfilling a public duty well, and receiving from the public nothing but kicks. Cannot the public be told, for instance, that there is a certain number—it may well run to thousands—of pensioners from the last war who are treated—and treat themselves—as invalids for life, but who, if they had no pensions, might have rediscovered an active place in the community? Pensions are sometimes the cause of the infirmities they are intended to compensate.

Milk Distribution

As long ago as September, 1940, Lord Woolton invited the representatives of the milk distributive trade to see "what further reductions in distribution expenses can be made by the trade on a voluntary basis." A committee under Lord Perry was set up and reported that "the system of milk distribution employed in the greater part of the trade is unnecessarily costly and elaborate." The Committee recommended a distributor's allowance of 8d. per gallon, which would be adequate if distribution were rationalised, and cited the example of certain provincial co-operative societies which operated with as low a margin as 6½d. This proposal evoked an outcry from certain sections of the trade, and Lord Woolton, bowing before the storm, rejected the Perry recommendation. Instead, after a detailed investigation into the costs of distribution, a structure of margins, varying according to the services rendered by distributors, was introduced in place of the old flat level. The scheme came into operation last October, and (as reported in *The Economist* of April 10th) certain changes were introduced at the beginning of this month. Retailers now receive 10½d. in London and 9 5/6d. in the provinces; there are extra margins for wholesale retailers, increasing according to their size, on the grounds of increasing costs. There has been considerable criticism of the Government's distribution policy. Recently, the *Financial News* wrote that its "real weakness . . . is that it leaves the pre-war channels of distribution virtually intact without regard for efficiency." The producers resent the disappearance of the level rate and the increased control that has passed into the hands of the distributors. In the House of Lords debate on April 1st, Lord Beaverbrook complained of the discrimination against the 80,000 producer-retailers in favour of the combines and co-operative societies—the 1,000 "monsters"—and Lord Perry said that the small man would be "frozen out of business." The point of view of the "monster" was recently put by the chairman of the Express Dairy Company, which claims to operate the largest dairy business in the world. He pointed out that, whereas the producer's price has been increased by 10d. a gallon since the war, the distributor's margin has remained stationary, in spite of greatly increased costs, and showed that his firm had already effected savings of over 25 per cent in manpower and substantial reductions in transport costs. Rationalisation of deliveries over the whole country is inevitably a slow business. The really important thing is that the ordinary consumer, who cannot be expected to understand the complicated formulae of costs and margins, or to follow the milk distribution controversy, should reap the benefit of any savings which may be effected as a result of rationalisation.

Women in Conference

The important part played by women in the war effort gives exceptional interest to conferences such as those held last week-end by the TUC and the National Council of Women. Large numbers of women have entered industry, while the numbers occupying administrative posts in the civil service and engaged in the professions have increased enormously. At the end of 1941 there were 1.3 million women trade unionists; to-day there must be at least 2 million. The women trade unionists were mainly concerned with the position of women in industry and pressed for the maximum degree of mobilisation and the best possible standards and conditions for women workers. Such matters as recruitment for part-time work, day nurseries, communal feeding, shopping facilities, working hours and health and welfare in the factories bulked large in their discussion, but the most important topic was the question of remuneration. Agreements establishing the principle of "the rate for the job" have been concluded for some thirty trades, and the extension of the principle over the whole field of industry was called for, while the granting of equal compensation for civilian war injuries was welcomed as a step in the right direction. At the same time, the trade union women showed their readiness to accept the same responsibilities as men by emphatically rejecting a suggestion that working women with household duties should be exempted from fire-watching. Considerable attention was paid by both Conferences to the question of the post-war position of women. Mrs. Corbett Ashby warned the National Council that forces were being set in motion to "push women back to where they were before the war," and Sir Walter Citrine said that there must be no return to the position that a woman was employed merely because she was cheaper than a man. After the last war, women gained equal suffrage with men, but not economic equality. After this war, women will undoubtedly demand economic equality.

Keeping Abreast

Last November, Mr William McKinnell, chairman of the Building Societies' Association, emphasised the social

value of a widespread home-ownership movement after the war. In his view, home-ownership is "a stabiliser, an essential feature of our fabric and a feature which it is most important should be retained and extended in the days to come." In commenting on the speech, *The Economist* suggested that, from the standpoint of mobility, it might be dangerous to lay too much emphasis on this argument. In any case, large numbers of new houses will be needed to let in the years after the war if the poorer section of the community is to be provided with adequate housing accommodation. Mr McKinnell's latest speech, delivered at the annual meeting of the South-Eastern Counties' Association of Building Societies on April 14th, suggests that the movement has now realised that it will have to operate in a different market after the war if it is to take a large share in the financing of new dwelling-house construction.

We have accordingly informed the authorities that building societies will, in principle, be willing to assist considerably in the provision of mortgage facilities in respect of houses for letting, subject only to the satisfactory working out of details which are now under consideration.

There is, indeed, no reason why the machinery of the building societies should not be used to assist in financing the large number of houses to let that will be needed.

Shorter Note

General Sir Henry Maitland Wilson, Commander-in-Chief Middle East, spent the weekend in Ankara. It is known that he had talks with the Turkish General Staff which covered the supply of Allied war material promised at Adana. In wartime, official visits provide a perpetual guessing game for the other side. But when allowance is made for bluff and double bluff, little can be deduced, and intuition provides the only short cut to knowledge. General Maitland Wilson went to Turkey for the weekend; because he wanted a change; because the Turks wanted to see what a real Brass Hat looks like; and—of course—in order to drag them into the war.

AMERICAN SURVEY

Wages and Manpower

The interesting thing about the new powers of "freezing" labour conferred on Mr McNutt by last week's Executive Order is that they are designed primarily as an anti-inflation measure rather than as a method of improving the distribution of manpower. As such they are an indication of the relative importance attached at present to the two problems in the United States. The President's order reaffirmed the authority of the Manpower Commissioner to regulate hiring new workers at higher wages except where it would aid the prosecution of the war. New regulations now issued provide that while employers in essential industries may offer higher wages to attract workers from non-essential jobs, they may not take labour from other essential industries without government consent. Employers in non-essential industries are forbidden to tempt employees from essential work with offers of higher pay. From the viewpoint of manpower policy, it is an advance that wages in non-essential industries should be kept down as against those in war production, and that essential industries should cease pirating each other's labour. But the order is largely negative in its effect. It prevents things from getting worse rather than providing a sure and discriminating means of making them better. It will not, apparently, halt the flow of workers from poorly-paid essential works to non-essential industries where wage rates are already high. Non-essential industries may still prey upon each other, with no responsibility for making their labour contribution to the war effort, and there is no attempt to evaluate the claims of the essential industries to the workers they already control or to those they wish to attract from the reserve of labour. In some instances these claims are undoubtedly inflated

and could with advantage be pared down. Nor is it clear how the policing of the order is to be made effective without a general registration of the working population. Much more than this will be needed if the United States is to have the means of placing every worker in the job most useful to the war effort.

The Labour Crisis

While Mr McNutt has been interpreting the Presidential order, the labour organisations have been reconsidering it. Their second thoughts are distinctly less favourable than their first. When the President "froze" wages at their present level, the union leaders explain, they assumed that the same exception in favour of wage increases "to correct inequalities" would be made as has always been made to the so-called "Little Steel" formula, which proposed to tie wages to the cost of living. How large a breach this exception would make is shown by the fact that the War Labour Board, which interprets "freezing" to mean "freezing," has promptly thrown out no less than 10,000 petitions for wage increases. Both the AFL and the CIO are up in arms. In part their indignation is no doubt sincere; but in part it is also, as always, due to their necessity to keep an eye on Mr John L. Lewis. Mr Lewis's position is simple; he never had any truck with "Little Steel" or any other formula, he is not a member of the War Labour Board, and he is determined, come what may, to get an increase of \$2 a day for his miners. There is still more than a week to go before the zero hour of May 1st, and the compromise—if there is to be one—should not be

To every man and woman smoker

Will you help to reduce the appalling loss of vital material caused by fire damage?

THOUSANDS of tons of foodstuffs completely destroyed, a clothing factory in flames, destroying hundreds of thousands of garments—fires like these are costing the nation £12,500,000 a year! More important than the money are the labour, the raw material and the shipping space which must be diverted from the war effort to replace the loss.

And the facts are, undeniably, that most fires start from some little act of carelessness by a normally careful person. A match thrown away still smouldering,

a cigarette end left burning, an electric iron left switched on—simple acts of carelessness like these are slowing up production, as well as making tragic inroads into the nation's reserve of materials. Will you help to stop it?

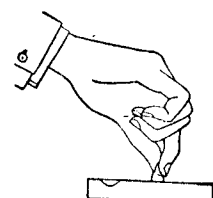
Be more than careful with lighted matches and cigarette ends—be sure! Stub your cigarette ends till they're right out and never throw away a match or spill unless you know it's out. Your help, everybody's help is needed, to reduce the loss to the war effort by fire.

Most fires are caused by careful people

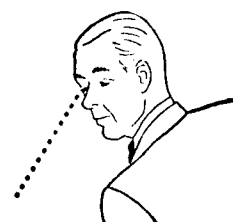
ISSUED AS PART OF THE FIRE OFFICES' COMMITTEE CAMPAIGN AGAINST FIRE WASTAGE

3 SAFETY FIRST RULES FOR SMOKERS

1. You know a match is out when you can do this.



2. Stub your cigarette end right out.



3. Look twice, when you're in any doubt.

expected before the eleventh hour. But its nature is already being suggested. Wage rates could remain unaltered and the Executive Order be obeyed, and still the miners could secure a considerable increase in income if they were guaranteed 52 full weeks of work every year. Such a solution might save faces all round; but it would increase the average cost per ton of coal raised and a corresponding increase in the price could hardly be desired. The cost of stability is a vigilance which is not merely eternal but also proof against face-saving compromises.

1,200 Economists

Twelve hundred leading economists can hardly be wrong, particularly when they agree, and when the subject of their agreement is the unimpeachable thesis that the reciprocal trade treaty programme is the "minimum basis of US post-war policy." But they may easily be ineffective, as when a similarly impressive manifesto failed to prevent the enactment of the Hawley-Smoot Tariff in 1930. It is not yet certain that the Republicans will muster sufficient strength to force the Administration to compromise on the Bill to extend the present treaty-making powers, and their determination to treat the issue as one of strict party politics may have the effect of rallying the majority, but already the possible details of compromise have been reported, and they are far from reassuring. It is said that to "avoid controversy" the State Department might be willing to accept a renewal of the act for two, rather than three, years, with Congress granted the power to nullify any agreement within 60 days of its negotiation. The *quid pro quo* would be the right to reduce tariffs by 75 per cent rather than (as at present) by not more than 50 per cent of existing duties. It is already being pointed out in the American press that this would be tantamount to Congress writing its own trade treaties with the interested lobbies just outside the door. The permission to reduce duties by 75 per cent would then be an empty gesture indeed. So much publicity has been given recently to the difficulties introduced into foreign policy by the need for Senatorial consent to treaties that it is hard to believe that the principle will be extended to trade negotiations. The value of the Trade Agreements programme has been much more as a symbol than in its actual success in drastically cutting tariffs. Disinterested critics are more concerned with the smallness of the concessions made than with the possibility that the State Department might embark on a brutal policy of selling American interests down the river. At the moment the symbolic nature of the programme is greater than ever. It seems to be agreed that a favourable decision by Congress will be viewed abroad as a vote of confidence in American internationalism after the war. This is an argument which cuts both ways, however, and is not likely to persuade the isolationists to abandon their opposition. It certainly is to be regretted if the decision is to be made on party lines; but it will be even more unfortunate if, as seems possible, it is used as just one more way of expressing the determination of Congress to be independent and to curtail the authority of the Executive.

Hot Water at Hot Springs

The decision to exclude the press—for all intents and purposes—from the food and refugee conferences has been understandably unpopular with that body. From the *Herald Tribune* to the less lofty *Mirror* there has been outraged protest that this constitutes an abridgment of the freedom of the press. Some slight modification of the President's order apparently has been secured, but it does not go very far. Bermuda technically is a war zone to which only war correspondents are admitted and where censorship is easy, and at Hot Springs news of the conference's discussions will be funnelled out to the newspapers through State Department handouts. The alarm of the press is due less to the arrangements for these particular conferences, at which, it is pointed out, the discussions will be largely technical, than to the fear that a precedent is being established which will apply to all other similar meetings and in particular to the peace conference. These suspicions are probably not altogether unfounded. For the Administration, it may be pointed out that, despite all his belief in "open covenants openly arrived at," President Wilson limited the press coverage at the last Peace Conference. If the presence

of newspapermen constitutes a real hindrance to the work of the governments, it can hardly be denied that there is a case for some abridgment of the very great press freedom enjoyed in the United States—a freedom which has not always been without its abuses. When this is said, however, there still seems to have been some lack of skill in dealing with the situation. An unnecessary resentment has been aroused, and the newspapers are now unlikely to rest until they have overthrown—or at least undermined—the policy of exclusion. Moreover, more redoubtable suspicions have been aroused: Senators have raised their voices in objection to the lack of any Congressional representation on the American delegations. Neither the Senate nor the press is very quick to draw a distinction between its own privileges and the general good, and an alliance of dudgeon between them might be very dangerous.

FSA Funeral

The demise of the Farm Security Administration is close at hand. The House has refused further appropriations, on the grounds that it stimulated "collectivist trends in Soviet style on the farm front." The action was taken by the House Appropriations Committee, but the voice is that of the Farm bloc, which has had its knife into the FSA for many months. The way the wind was blowing became clear with the resignation of Mr Parisius from the Department of Agriculture last January. He was in favour of extending the methods of Farm Security to increase production. These included, beside the provision of credit on very easy terms—"rehabilitation loans"—to small farmers who could otherwise not obtain funds, some interesting experiments in co-operative use of machinery, instruction in better techniques of farming, and close supervision by full-time experts of the methods of FSA borrowers. More recently, FSA began a programme of moving farmers from poor land, either to better farms of their own or to jobs where they could make a greater contribution to the food goals. The particular sphere of influence of the FSA was in the South, and inevitably it became entangled in anti-negro prejudice and in the confusion between co-operation and collectivism. With the end of the FSA there disappears one more of the New Deal's agencies for assisting the "under-privileged." Ostensibly, with so much farm prosperity, there is little need for government aid to the small farmer. Actually, there is still a great need for improving agricultural methods and moving farm families to land where they will be able to provide a decent standard of living for themselves.

Dollar Devaluation Powers

The fight on the President's monetary powers has been joined before the Senate Banking Committee. Mr Morgenthau, appearing before the Committee, pleaded for an extension of the President's powers as they stand, arguing that the authority to devalue the dollar could not be safely terminated until a satisfactory means was available for assuring the stabilisation of appropriate exchange relations and for avoiding competitive currency depreciation in the critical post-war period. He gave an assurance that the President had no intention of exercising his devaluation authority unless it became necessary from a competitive standpoint. The Senate Committee was unmoved by this reasoning and eliminated the relevant clause from the Bill before it. The significance of this action must be sought in its attack on Presidential powers in general and not for any implied revelation of currency ideas current in Senatorial circles. The Committee, on the other hand, gave unanimous approval to a clause providing for a two-year extension of the Currency Stabilisation Fund. Mr Morgenthau, in his evidence, stated experience had revealed no better means of settling international balances than the shipment of gold. He instanced that during the fiscal year 1941-42 the Stabilisation Fund had sold \$644 million of gold to foreign countries and bought \$162 million. In the present fiscal year to date the corresponding amounts had been \$401 million and \$27 million respectively. These figures illustrate the swing of gold away from the United States, which has also been reflected in the Federal Reserve statements. Mr Morgenthau stated that since its inception in 1934 the Stabilisation Fund had made a net profit of \$32 million.

THE WORLD OVERSEAS

Sweden: The Home Front

(By a Correspondent recently in Sweden)

NEUTRALITY can only be had, at a price, it is paid for by loss of control in many major matters of public policy and by a great deal of private uneasiness and frustration. However much it may be the obvious, the rational, the expedient policy, a nation in adopting it slips into a backwater of history in which the only disturbances are the reflection—sometimes violent—of great events in the world outside. Hitherto, the Swedes have not been too uncomfortably conscious of their isolation, because they have had to meet and overcome formidable difficulties in the economic field, and because they have maintained vigorously and against impressive odds their faith in and practice of the democratic way of life. Now, however, that the tide of war is turning towards an Allied victory, and nations are beginning to think about and prepare for the post-war world, many of the Swedes are unhappy about their position. They are justly proud of having safeguarded their pre-war stable economic standards and profoundly civilised political system, but they are doubtful whether safeguarding is enough. Sweden was a pioneer in democratic practice before the war. By missing the agonising but toughening experience of resistance, many fear that their nation may have lost its power to contribute to the further development of free society. They recognise that this risk is the price of their neutrality.

These misgivings are comparatively recent. In the tense days of 1940 and during the indeterminate fighting of 1941 and 1942, the Swedes were absorbed in the struggle to adapt themselves to shifting world conditions. The war and the blockade and Hitler's new order gave them extremely difficult economic problems to solve. For many of the most direct necessities of consumption—fodder, fertilisers, a wide range of foodstuffs, fuel, oil and coal—they were dependent on markets which were now cut off. The loss of fodder meant a wholesale slaughter of livestock. In 1938, Sweden exported over 13,000 tons of pork and bacon. Now there is virtually none even for consumption at home. Stringent rationing—more stringent than in this country—was introduced. Fats, cream, meat, eggs, cheese and tea, and a number of goods such as dried fruits, nuts and spices, some of which are on points in Britain, are all rationed. The flour and bread ration is small, and covers macaroni as well. Coffee and cocoa are rationed. Coupons have to be given up for meals in restaurants. The ration for soap and cleaning materials is exceedingly meagre. Tobacco is rationed. Fuel is rationed—in Stockholm this winter, private houses had two periods of hot water, four days at Christmas and again four days before Easter. There is no petrol at all.

The structure of rationing is built up in Sweden as in Britain on a firm foundation of guaranteed prices and subsidies to farmers. Some Swedes complain that although basic foodstuffs are well distributed, the pressure on the prices of all uncontrolled foodstuffs is so great that the poorer people have little chance of supplementing their rations. The price of some commodities bears this out. Rabbits were finally controlled at 10 sh. a rabbit. Fowls, fruit, fish are beyond the more slender pockets. The authorities have tried to even out this disparity by a system of rebate cards which enables people below a certain income to pay less—sometimes half price—for their rations. Supplementary cards have also been issued this year to guarantee extra supplies to people with small incomes. Heavy manual work also entitles the workers to extra food. On the whole, the rationing system works fairly and efficiently, and compares very favourably with conditions in other neutral countries. Successful rationing is in some ways a test of social and political maturity. The Swedish people have survived it well.

They have also turned with great energy and ingenuity to maintaining their industry and their agriculture in the teeth of the "new order." Apart from the small extra-European trade carried on until quite recently under guar-

antees from both belligerents—the Gothenburg safe-conduct traffic which the Germans have now refused to sanction—the greater part of Sweden's foreign trade (about 65 per cent) is with Europe. This does not, however, mean that Sweden's trade with non-European countries has been diverted to the Axis; it has ceased to be. Axis Europe cannot meet all Sweden's needs and other trade simply lapsed. Before the war, Sweden imported over 7 million tons of coal and coke and over 700 million litres of petrol. Germany is struggling to meet its coal obligations in return for Swedish ore, and deliveries are said to be better this year than last; but only a fraction of Sweden's need is covered.

The Swedish answer to this emergency is wood. The Swedes build in wood, warm themselves with wood, make motor spirit from wood, feed their cattle on wood, make their textiles of wood, their towels and table cloths and bandages and mattress covers from wood, their soap and vinegar and turpentine and tar from wood, and now even "meat" for human consumption from wood. Since the beginning of the war, the production of fuel has risen from 7 to 50 million cubic metres. Further cutting will injure the forests. The other limiting factor is manpower. They have drafted thousands of workers into the wood industry and most of the 10,000 Norwegian refugees who are waiting to get away and fight are working for the time being in lumber camps. But the Swedes have discovered with all the other experimenters in *ersatz* that manpower is in the long run the scarcest raw material.

Part of this new industrial activity will be maintained. Producer gas for cars is still dirty and a great nuisance and very unsightly too—cars travel about with a sort of witch's cauldron attached to the back—but experiments are improving the quality and it may be a competitive proposition before the end of the war. The developments in artificial textiles will certainly be carried on. Other experiments which may be lasting are coke from peat, rubber from dandelion seed, forbolin (a sort of linoleum) made from wood products. Swedish industry has also set about making all kinds of instruments and machines which were formerly imported. The Government has financed a large proportion of the new ventures and, in spite of shortages and gaps, Sweden to-day is a remarkably busy and relatively prosperous community. There is no doubt about the energy and foresight—both public and private—with which a functioning economy has been maintained against very difficult odds.

Political problems have so far been less troublesome than the economic changes imposed by the war. True, Sweden

• Interest paid half-yearly
• Income Tax not deducted at source

3% SAVINGS BONDS
1960-70
POST OFFICE & TRUSTEE SAVINGS
BANK ISSUE

Issued by the National Savings Committee

has become entirely cut off from the free world; but the country has much solid democratic capital to live on, and even if, as many Swedes maintain, the period has been one of disinvestment, the democratic framework of society has been competently preserved. The coalition of Social Democrats, Liberals, Conservatives and Agrarians which was formed at the end of 1939 still commands the full support of the people, and, though with some restiveness, of its component parties. The Coalition Government, under Mr. Hansson, is unsensational and rather given to Baldwinism. It tends to be over-paternal in its treatment of Swedish public opinion, an attitude which people find galling. Popular discussion is discouraged on the lines of "If only you knew the full facts," and "My lips are sealed." This example from the *Sozial Demokraten* of April 7th gives exactly the tone—the matter under discussion here is the transit of German soldiers to Norway:

When the Government has taken a step, and has pursued its policy, it has had in mind Sweden's own vital interests, present and future. Under the weight of its immense responsibility, it has had to weigh different views and considerations against each other, before reaching a decision. This will be so in the future. Many important decisions will be taken by the Government during the next few months, decisions which may be of the greatest importance to the whole nation, but it cannot be thought wise to seek to influence or accelerate developments by a propaganda which if driven to its conclusion, can endanger the vital interests of the working class and the nation as a whole.

This solid, if uninspiring, government has at no time been in any danger of overthrow by parties outside the coalition. In spite of German pressure and the "triumph" of the new order, Nazism has been so insignificant in Sweden that it is hardly worth mentioning. It made a little headway perhaps among the farmers in the south of Sweden; and a few officers in the Army and a few officials in the police were influenced by Nazi ideas. But in comparison with the band wagon ride into fascism in other European countries, Sweden's record is remarkable. The Communist Party has slightly increased its vote in recent years—50,000 at the outbreak of war—100,000 in 1940, 170,000 in the municipal elections of 1942—but this is due to the fact that, given a Coalition Government, the Communists are the only party in opposition and pick up a lot of disgruntled votes in this way. The 1942 figure was largely due to a split in the Social Democrat ranks. The leader of the extreme Left Wing (or Socialist party) suddenly joined the Nazis. None of his followers went after him. His party, 50,000 strong, stayed homeless for a time, then joined the Communists. The incident is typical of Nazism's insignificant influence.

If the coalition is in any danger, it is only from within. Now, in the fourth year of the war, there are signs of real discontent. The Conservatives are worried lest, in co-operating with the Social Democrats, they find themselves involved in actions which compromise them with their own followers. The Communists are a case in point. The "transport ban" (which is virtually a complete ban on distribution) on two communist papers was raised this March. The Conservative members of the coalition were very perturbed. Some of them, under the leadership of Mr. Bagge, now advocate the end of the coalition and the formation of a parliamentary opposition. The Conservatives share with the Agrarians the feeling that the industrial

workers are being "pampered." The rebate system for poor families is denounced as an "inflationary measure." The farmers, who are the backbone of the Agrarian party, complain that the agricultural subsidies are too small and that the Social Democrats are sacrificing the land workers.

The Social Democrats themselves are divided. Since they have an absolute majority in the Riksdag, the dissolution of the Coalition would not put them out of office. Mr. Hansson, the Prime Minister, like some Labour leaders in Britain, would probably prefer a perpetual coalition; but younger members of the party are restive.

Finally, through all parties is working the ferment of frustration bred of Sweden's safe but not particularly noble position in the war. Some admit their dissatisfaction. Some do not. But all feel it. Right through all the Coalition parties runs a dividing line which really creates a Government party and an opposition party, both within the Coalition. The dividing line is foreign policy. Shall Sweden at this stage move from neutrality to non-belligerency, having first put its neutrality in order by stopping the most serious infringement of it—the transit traffic? This question divides every party. It will be the dominant issue throughout the coming months.

Canada's Budget

[FROM OUR OTTAWA CORRESPONDENT]

March 5th

CANADA'S Budget for 1943 contained the assumption that the practical limit has been reached in taxation, for though it provided for \$136,200,000 more revenue than in the previous year, the tax increases anticipated by Mr. Ilsley will be derived mainly from greater yields, without a change of rates, and from the technical advantages of the transfer to a complete pay-as-you-earn basis of income tax payments. Relatively modest increases on liquor, cigarettes, cigars and tobacco, and an increase in the postal rate for letters from three to four cents, will produce nearly \$50 million annually. These increases were modest only in terms of war budgets, not of peacetime taxation. Income tax changes will bring in \$90 million more, without any variation of rates, and the same factors will produce an added \$15 million in compulsory savings, or refundable income tax.

These estimates of increased revenue seemed even more modest when considered in the light of Budget requirements, which will be \$1,000 million more than in 1942-43. Mr. Ilsley's Budget speech dwelt at length on the necessity of curtailing civilian consumption in order to create public savings which the Treasury could borrow. Success of the borrowing programme, he said, would be in the hands of the people themselves. "The programme which I recommend," he said, "is briefly and simply this, that each man and woman in this country should limit personal and business expenditures so that provision can be made for \$5,500 million for the purposes of war and the ordinary conduct of government; that we should contribute \$2,752 million through the taxes now in force and the additional rates which I have recommended and that we should lend an additional \$2,748 million."

Actual war expenditures in the past year, including \$1,000 million under the United Kingdom Financing Act and \$200 million for the purchase of British interests in Canadian war plants, were \$3,803 million. Civil expenditures brought the total expenditure to \$4,470 million. The new Budget provided for the following expenditure:—

(\$ millions)	
War costs	3,890
Civil costs	610
Mutual Aid	1,000
	5,500

Revision of estimates of Canadian national income has not been completed. Mr. Ilsley said that the Budget expenditures proposed for 1943-44 would be more than half the gross national production. In earlier debates in Parliament, he noted, the Government had been confronted with suggestions that the Canadian people were being asked to contribute too much in proportion to the national income. The evidence, he replied, was pretty clear that the average Canadian had suffered only a moderate decline from the peak of wartime consumption, along with some inconveniences in shopping and travel.

Unprecedented Saving

Provision of half the budgetary expenditures through public borrowing would involve unprecedented savings on the part of the Canadian people, savings of about \$250 a person. It could probably be achieved only through the rapid extension of rationing as a means of curtailing civilian consumption. This may, of course, be the intention, though the Budget speech left the matter obscure. Instead, the tenor of Mr. Ilsley's argument was that chief reliance will be placed on redoubled efforts to mobilise savings by voluntary subscription drives. The difficulties of rationing have proved immense, in the cases where it has been imposed.

The experience of 1942 with regard to public borrowing was not encouraging. In a budget of approximately \$4.5 billion, the deficit was \$2,261 million. To meet this, borrowings from the public amounted to \$1,070 million. One factor was that a Victory Loan drive had been carried out just before the fiscal year started, providing the Treasury with funds in hand. Only one loan campaign was conducted during the fiscal year. In the coming year, two big loan campaigns will be conducted. But, to meet Budget requirements in 1942, the Canadian Government had resort to bank borrowings of \$893 million net, of which \$790 million were borrowed from the chartered banks. Since the public held considerable savings in cash, this was not entirely dangerous borrowing. But it was, as Mr. Ilsley said, borrowing that he would rather not have done. It was borrowing, moreover, that could be expected to be liquidated, in part at least, from the proceeds of future public borrowings. Still, the Budget speech went on:—

The purchasing power in the hands of the public is already excessive in relation to what there is available to buy and appears likely to grow more excessive. In short, we find that the forces making for inflation are present on a large scale. The pressure is held in check only by the rigour of our existing taxation, by the willingness of Canadians to save on an unprecedented scale, and by our price control and wage control.

Politically, the 1943 Budget encountered two viewpoints that tended to cancel each other out. On one side was the view that Canadians were already paying the limit in taxation, that taxation as an instrument was too blunt to

use more drastically, or even, as one French Canadian member had said, the country was going to run out of money. On the other side, it was inevitable that the Budget would be criticised for not adopting a greater measure of taxation and compulsory savings. The Government's attitude was that in Canada taxes are heavy in comparison with other countries at war, and that serious barriers exist, both in equity and administration, to substantial increases in income taxes.

As from April 1st, income taxes will be heavier, because existing rates allow for deductions made in 1942 for the national defence tax, abandoned in August. This deduction, combined with deductions at source of the income tax, started in September, mean that, except in higher brackets, about half the 1942 income tax has already been collected. The taxpayer will be compelled to pay only half the 1942 income, in the transition to full current basis of payment. The result is that deduction at full rate will start in April, rather than next September, and this will account for most of the increase.

To avoid a sharp widening of the inflationary gap created by bank borrowings, the voluntary mobilisation of public savings will have to be carried to extremes not hitherto contemplated. That is the Treasury's chief problem for 1943.

Books Received

Oxford Pamphlets on Home Affairs. No. H.1. *How Britain is Governed.* By R. B. McCallum. No. H.2. *The Newspaper.* By I. Thomas. No. H.3. *The Transition from War to Peace.* By A. C. Pigou. No. H.4. *Britain's Future Population.* By R. F. Harrod. (Oxford) University Press. Approximately 31 pages per vol. 6d. net each.

The Theory and Practice of Central Banking, 1797-1913. By E. V. Morgan. (London) Cambridge University Press. 252 pages. 15s. net.

The Population of Bristol. By H. A. Shannon and E. Grebenik. National Institute of Economic and Social Research, Occasional Papers, No. II. (London) Cambridge University Press. 92 pages. 7s. 6d. net.

Britain and Her Dependencies. By Lord Hailey. (London) Longmans. 48 pages. 6d. net.

WEST RAND CONSOLIDATED MINES, LTD.

(Incorporated in the Union of South Africa.)

CAPITAL

(Registered and Issued)

£2,150,000

In 4,250,000 Ordinary Shares of 10s. each and 25,000 Deferred Shares of £1 each.

DIRECTORS.

SIR GEORGE W. ALBU, Bart. (Chairman).
DR. HANS PIROW.
V. J. RONKETTI.

T. SHEARER.
J. FRIEDLANDER.
ERROLL G. HAY.

C. S. McLEAN.
C. S. GOLDMAN.
S. C. BLACK.

EXTRACT OF ANNUAL REPORT TO DECEMBER 31, 1942.

Tons crushed	...	2,777,000
Yield (3.704 dwt. per ton)	...	514,353 fine oz.
Working revenue (31.12s. per ton)	...	£4,320,570
Working costs 18.19s. per ton	...	2,525,763
Working profit (12.93s. per ton)	...	£1,794,807
Sundry Revenue	...	109,939
		£1,904,746
Less Interest on Fixed Loan from General Mining & Finance Corporation Ltd.	...	25,000
		1,879,746
Credit Balance brought forward from 1941	...	62,352
Total Available Profit	...	£1,942,098
Appropriated as follows:—		
Capital Expenditure		
For year	£14,445	
Repayment on account of Fixed Loan	100,000	
		114,445
Miners' Pensions—Provision on account of outstanding Liability	...	10,727
Taxation (including additional for 1941, £6,990)	...	1,137,455
Ordinary Dividends Nos. 22 and 23, totalling 22½%	£478,125	
Deferred Dividends Nos. 13 and 14, totalling 26 7/8 d. per share	159,375	
		637,500
Unappropriated profit carried forward	...	47,971
		£1,942,098

ORE RESERVE.—The fully developed ore reserve, as recalculated at December 31, 1942, amounted to 9,767,000 tons or an average value of 4.3 dwt. over 45 inches. (1941: 10,600,000 tons at 4.3 dwt. over 45 inches.)

Copies of the full Report and Accounts may be obtained from the London Secretary, 170, Winchester House, Old Broad Street, London, E.C.2.

NOTICE TO LIFE POLICYHOLDERS

The Directors of the COMMERCIAL UNION ASSURANCE COMPANY, LIMITED, announce that after making substantial provision out of the surplus disclosed by the quinquennial Valuation of the Life Fund as at 31st December 1942 to cover extra wartime mortality and other contingencies, Bonuses have been allotted to participating policies in respect of the five years ending on that date. The Bonuses, which are allotted in respect of the premiums paid during the five years, are

- For policies effected before 1st January 1940, at approximately four-sevenths of the rates declared for similar policies at the 1937 Distribution; and
- For policies effected 1st January 1940 and later, at the rate of £1 5s. per annum per £100 sum assured.

Policyholders will be notified as to their Bonuses on or before the next renewal date of their policies and in the meantime, on account of staff shortage and other difficulties, are most earnestly requested only to communicate with the Company on the subject for some exceptional reason.

Germany at War

The Agricultural Outlook

THERE is no acute crisis in Germany's agriculture this spring such as existed last year, when serious winter damage led to drastic reductions in food rations and called for an extraordinary effort by the peasants and farmers. Last autumn, the food rations were partly restored, but it was necessary to reduce the quality of the bread, which provides the largest part of the German diet, by the use of barley, that typical feeding stuff, as bread grain. It is said to-day that, in the spring of 1942, roughly 7½ million acres were successfully resown during an unusually short sowing period. The rye, wheat and oilseed harvest failed. Root crops, particularly potatoes, seem to have yielded a good average. Most of the food rations could only be maintained by diverting to human consumption, in addition to barley, considerable quantities of potatoes normally used for fattening pigs. It is estimated that the population consumed from 30 to 32 million tons of potatoes, compared with some 14 million tons in 1938. A similar increase was reported in the consumption of vegetables, whereas the available supplies of fats and meat decreased from the previous season. During 1941 and 1942, there were heavy reductions in the numbers of pigs and poultry, and at the end of 1942 inroads were made on the cattle stocks. This year, there will be a further slaughter of cattle, because of the failure of the oilseed crop. The food supply situation as a whole could only be saved by the so-called "battle of deliveries," which was enforced by a big cut in the rations allowed to the peasants. "Homestead Controllers" were appointed to inspect the peasant's stock of foodstuffs at regular intervals.

The main features of the cultivation and production plan for last autumn and this spring shows very clearly how Germany's agriculture has deteriorated. It aims at restoring the normal acreage under bread cereals; at maximum yields in root crops and vegetables; a record acreage for oilseeds; increased deliveries of milk; and the restoration of the pig population. For years now, these annual cultivation plans have shifted in emphasis from one crop to another. Even before the war, German agriculture had already reached the limit of intensification, in spite of a greater use of fertilisers and machinery. It was hoped to maintain output in general. Events showed that this is not possible and that unfavourable weather conditions create an acute crisis in cultivation as well as in the supply of foodstuffs.

Crop by crop, there has been a similar difficulty every season since the war began. The tremendous war stocks, and the requisitioning of foodstuffs in occupied countries, concealed the deterioration during the first two years of the war. Since the beginning of 1941, imports from the south-eastern countries have been disappointing, and the surpluses produced in Denmark and Holland, which depended largely on imported raw materials, dried up. In 1942, even the supplies from French North Africa were lost. The most important supply countries for Germany at present are the incorporated Polish provinces and the Protectorate of Bohemia and Moravia. There were great hopes that the Don and Kuban territories would close the so-called fat gap. But these territories have been lost again. Reports on agricultural activities in the Ukraine and other occupied Russian provinces are contradictory. It seems that Germany concentrated labour and machinery in certain favourable districts, where production has been restored for the purpose of supplying the troops. Even the most ruthless method of requisitioning foodstuffs in occupied countries cannot alter the fact that Germany must supply by far the greatest part of its food requirements from its own soil.

Last autumn, the German press made the startling statement that the labour situation had been solved and that the total labour force employed in agriculture actually exceeded by one million the labour available in the last year before the war. The number of foreign civilians was estimated at that time at 2½ millions. Prisoners of war and civilians may have numbered at least 4½ millions. During the winter months, part of this labour force was transferred to war industries, and, since the beginning of the spring season, the German press has been silent on the agricultural labour situation. It may be assumed that, under the rigid production plans, as well as in the peculiar conditions of German peasant farming, agriculture is actually saturated

with labour. At the same time, the productivity of the new labour force seems to be low. There are extremely few draught animals, for which milch cows have to be widely substituted. The ambitious plan of converting the tractors still available to the use of generator gas could not be carried out, and it can be assumed that the reduced petrol and diesel oil rations prohibit the full use of tractors. Deliveries of new agricultural machinery have been cut down, and for each new machine an old one must be given in return. The supply of fertilisers is smaller than during last year. Once again, the *Reichsnährstand* is conducting a campaign for the pooling of machinery and for neighbourly help.

The Spring Plan

The spring plan demands a more intensive preparation of the soil as a compensation for smaller supplies of fertilisers, and the general rule is to expand spring sowings. The main concern of the cultivation programme this spring is to provide for early harvests. This is particularly noticeable in the potato plan. The acreage under early potatoes is to be extended, which makes it necessary to reduce the acreage for later varieties. Current production is hardly sufficient to cover demand on the basis of the present rations. There are no longer sufficient stocks for the months before the new harvest, and the cultivation of early varieties must be expanded in order to guarantee supplies in the inter-harvest period. Last year's reduction in food rations during these months can hardly be repeated this year for political reasons. A similar policy has been introduced in the cultivation of early vegetables.

If German agriculture could concentrate on the supply of foodstuffs, the situation would perhaps still be manageable. Industrial and technical demands on the agricultural output are, however, growing out of all proportion to production. During the coming season, greater quantities of potatoes must be diverted to the production of alcohol for motor fuel. The strained supply situation in high-quality lubricating oils makes it necessary to use more vegetable oils. Flax and hemp cultivation must also be expanded to increase the supply of fibres for industrial uses. The attempt to expand industrial crops and all kinds of oilseeds is thus intended to serve two purposes—an increased supply of textile fibres as well as fats.

The crucial part of this year's agricultural plan is the restoration of the number of pigs. The success of the plan depends on a root crop harvest that has to be above average. By considerable price increases for older pigs and long-term fattening agreements, pig breeders are encouraged to maintain their stocks of sows and young pigs on the chance of greater supplies of feeding stuffs in the autumn. If the harvest of root crops is only an average one, the plan will have miscarried, but it is argued that, in that event, the young pigs can easily be slaughtered. The main part of the feeding stuffs is to be obtained from the sugar beet crop. Growers will again receive a premium on the crop, and the yield exceeding the delivery quota can be retained as feeding stuffs. Special machines will also be supplied for converting sugar-beet into feeding stuffs. The extraordinarily narrow margin that is left to German agriculture is again shown by the fact that an expansion in the cultivation of sugar beet may be accompanied by a reduction in the acreage under swedes, mangolds and similar feeding roots.

If there is no increase in the pig population, Germany's fat situation will become critical in the winter of 1943-44. At present, roughly 50 per cent of its fat supplies come from the milk production. Even before the war, pig fat constituted one-third of total supplies. The production of vegetable oils is limited, and imports from south-eastern countries or occupied Russian provinces are far behind expectations. The most sanguine hope is that the inevitable decline in the production of milk will be compensated by an increase in pig fat if the root crop is favourable. Planning and control of deliveries have reached the highest pitch. Almost all agricultural products now receive special premiums, and for a wide range of products premiums in kind are paid. Deliveries above the quota in sugar beets mean increased sugar rations for the grower, and flax surpluses entitle him to linen goods free of coupons. In short, the entire agricultural production is subsidised for the sake of maintaining the stop prices of 1936. Yet, the financial situation of the peasants has hardly improved, and the actual output is no longer sufficient for the official food rations.

THE BUSINESS WORLD

Investors and Break-Up Values

FOR various reasons, a good deal has been heard lately about the different methods of valuing businesses when their ownership changes hands. The ex-proprietors of Short Brothers, a public company, have had their shares vested in the Government, for a consideration which is to be based on the prices between a willing buyer and a willing seller on a given day. The London and Home Counties Joint Electricity Authority recently suggested that electricity companies in its area should pass into public ownership on the basis, broadly, of net tangible asset values. Accountants are familiar with the concept of valuing a business "on a going concern basis." And investors, who every day buy and sell fractions of businesses through the Stock Exchange, are not infrequently reminded by their professional advisers of a quantity known as the "break-up value" of a business, with which the market value of its shares is often contrasted.

This list by no means exhausts all possible variations on the theme of business valuation. There is the "capital expended" basis, the "issued capital-cum-debts" basis, and the "market capitalisation" figure, arrived at by multiplying the nominal value of the shares in issue by their market price. There is no agreement between pundits on which of all these methods is the right one, in absolute terms. Which basis is adopted in any particular case seems to depend on the circumstances and, particularly, on the relative strength of buyers and sellers. Where one of the parties is not a free agent—a condition which may obtain when the buyer is the State—delicate questions arise and it is fortunate, perhaps, that more or less forced sales of large company undertakings, lock, stock and barrel, have up to now been relatively infrequent events. But the problem of valuing a concern, in terms of its past record, present condition and future prospects, comes up every time an investor buys or sells a share on the Stock Exchange. It is highly important, therefore, that the principles underlying that species of valuation should be clearly understood. The "willing buyer and willing seller" idea does not really take us very far. The Stock Exchange is a free market, and in the absence of evidence to the contrary we may assume that if business was done in Imperial Chemical Industries £1 ordinary at 38s. 9d. on April 20, 1943, *force majeure* was absent when the two parties reached agreement on this figure. But each must have had some idea in his mind of the worth of what he was buying or selling, and how did he reach it?

The generally accepted reasoning, on which, consciously or unconsciously, thousands of investors act every day,

involves the breaking down of the price into two elements—interest and risk. By investing his money in long-dated Government stock, an investor could have obtained an "income yield" of, say, 3 per cent. Since the last dividend paid by ICI was 8 per cent, the prospective "income yield" on £1 of stock bought at 38s. 9d. is 4.13 per cent. The difference measures the margin demanded and accepted for the risk that the ICI dividend may not be paid at an unchanged 8 per cent for all time. Any change in the price of ICI ordinary stock, therefore, is bound to be the result of a change in pure interest rates, or in the dividend-paying prospects of ICI, or in both, or the estimate made of them by those who buy or sell the company's stock.

There are two points about this, the generally accepted line of argument, which deserve special note. It bases everything on the process of capitalising income, and it assumes the *continuance* of a company as an income-producing organism. Both conditions hold in the numerous variants of the idea, such as the "earnings yield" basis, which takes account of any difference between profits actually made and those distributed as dividends. This amounts, however, to no more than an attempt to evaluate a single one of the unknowns on the "risk" side of the equation—namely that the discrepancy between earnings and dividends may, directly or indirectly, cause a change in dividends at some future time. But investors are sometimes urged by their advisers, professional and otherwise, to adopt a radically different method of valuation, based on "break-up values." Here, income does not enter, avowedly, into the question at all. Surplus liquid assets—cash, marketable securities, debtors, and (generally) stock-in-trade, less creditors and near future liabilities such as taxation—are valued. To them is added the balance sheet total of fixed assets like land, buildings, plant, machinery, less depreciation and specific reserves—with goodwill as a doubtful and rather controversial item. From the resulting figure of "net worth," the amount of debenture and preference stocks is deducted (on the basis of value in a liquidation, which in the majority of cases is par). The difference, divided by the amount of ordinary stock in issue, gives the "break-up value" per £1 ordinary. If the market price is lower than the "break-up" price, that is regarded as evidence, in its way, that the stock is "cheap." The opposite should apply where the market value exceeds the break-up value, but that consideration, in practice, is much less often urged.

Company	Net Liquid Assets	Fixed Assets (less Liabilities and Specific Reserves)	Debentures (if any) and Preference	Book Value of Ordinary	Amount of Ordinary	Break-up Value per £1 Ordinary	Present Price of £1 Ord.	Div. Yield on Ord.
Bass	(£000) 1,893	(£000) 7,652	(£000) 5,183	(£000) 4,362	(£000) 2,236	s. d. 39 1	s. d. 161 6	% 4.954
	1,906	7,442	5,060	4,288	2,236	38 4½		
Courtaulds	12,153	29,131	8,000	33,284	24,000	27 9	49 9	3.015
	41,371	10,409	8,000	43,780	24,000	36 6		
Cunard S. Ship	131	13,691	7,484	6,338	5,570	22 9	19 3	...
	3,454	10,678	7,484	6,648	5,570	23 11		
General Electric	5,040	8,166	3,600	9,606	4,198	45 9	88 6	3.955
	6,842	8,501	5,630	9,713	4,198	46 3		
Imperial Chemical*	20,791	72,896	28,619	65,068	50,402	25 10	38 9	4.129
	19,959	74,903	28,545	66,317	50,402	26 4		
P. & O.	Dr. 480	19,860	10,048	9,332	4,593	40 8	31 3	5.120
	7,439	11,421	9,856†	9,004	4,593	39 4		
Rolls-Royce	888	983	Nil	1,871	1,132	33 1	102 6	3.902
	1,177	673	Nil	1,850	1,136	32 7		

* Consolidated Balance Sheet.

† Including Preferred Stock.

How does the "break-up" method work out in actual experience? The table on page 531 applies the method to the figures of seven companies in a variety of industries, before the war and at the latest possible date.

The table shows that, contrary to widespread belief, the break-up value of the shares of these fairly representative companies has changed comparatively little since the war. On the whole, liquid assets are somewhat higher and fixed assets somewhat lower than in pre-war days, but, where these changes are at all well marked, there is usually a special reason, arising out of war conditions. The shipping companies have lost fixed assets through sinkings and increased their liquid assets by the receipt of insurance monies. Courtaulds, which formerly had fixed assets valued at 2½ times the amount of its liquid assets, now has liquid assets totalling more than four times the figure for fixed. But for the most part, the changes have been broadly compensatory, and the net result is, generally, an increase of a few pence only in the break-up value of each £1 ordinary share or stock. Market values, in the majority of instances, range well above break-up values—Bass, for example, stands at more than four times its break-up value. Exceptions to this rule are the two shipping concerns—Cunard and P. and O. The market value of the former's equity stock is slightly, and that of the latter's appreciably, below the break-up value. But the income yield figures show no really wide variation (except in the case of Cunard, where market hopes of resumption of ordinary dividends have recently been justified) from an average figure of 4.18 per cent, that is 1.13 per cent above the gilt-edged rate.

The market seems to have logic and reason on its side, in its evident determination to value shares on an income rather than a break-up basis. Investors buy a stake in a company because they expect that it will continue to trade, not on the assumption that it will be broken up. There are occasional exceptions, of course. When the market value of many rubber shares, after Japan's conquest of Malaya and the Dutch East Indies, was considerably lower than their break-up value, it was relevant to point out the anomaly, because at that time it seemed possible that some companies might choose to liquidate instead of waiting for the end of the war. But in the case of shipping companies, and others which have received, or may receive, compensation for physical assets destroyed during the war, a share purchase on a possible increase in break-up values (due, perhaps, to the fact that compensation has exceeded the

written-down value of destroyed assets) may be misguided to the point of danger. Cash is a non-earning asset and liquid resources generally are low-earning assets. Every thing depends on how far these resources can be re-invested in business to produce a higher return now or more probably, after the war. And here the investor is on largely uncharted territory. In other words, an increase in break-up values of that character is an argument for higher, not a lower, risk premium.

The reasons for caution in accepting break-up values as a criterion go even deeper. A break-up total of assets is a heterogeneous item. It is obtained by aggregating liquid assets valued at current prices and fixed assets whose book valuations are largely conventional. In most instances, fixed asset valuations are founded on capital expenditure at some past date or dates, written down by depreciation allowance and reserve; which may be narrow or liberal, and whose object, as a rule, is not so much the maintenance of earning power as the assurance that the original cost of the asset will have been written off by the end of its working life. When a break-up actually occurs, the amount for which the fixed assets can be sold may well be different again because it will be based on the prospective earning power of the machinery to a new purchaser. It is even possible that, in the circumstances which compel the great majority of liquidations, the break-up value of most specialised fixed assets like machinery may be their scrap iron value.

The investor, in short, is normally—and rightly—among those who adopt the "going concern" method of valuation. It may be important for investors, as a class, to learn, in due course, what basis is taken by the authorities for valuing the Short Brothers shares—or by the Lord Chief Justice if the matter goes to arbitration under Section 71 of the Defence Regulations. The Short Brothers case may conceivably become a precedent, if and when the question of the taking over of other companies by the State arises. A price (as between a willing buyer and a willing seller) may be one thing if both parties are presumed to have the equity in future profits in mind as something on which a value ought to be placed, and something quite different if they are concerned merely with the capital expended in the business. The investor's interests, *qua* investor, are bound up with the first interpretation rather than the second. And how often is the greatest capital asset of any business—that is, the skill and enterprise of those conducting it—valued in the balance sheet at all?

Finance and Banking

Floating Debt Policy

The increase to £90 million in this week's offer of Treasury bills by tender breaks new ground, the weekly offering never before having exceeded £85 million. The move, however, is in continuation of policy which has been apparent since last October when the authorities restored to the issue of Treasury bills by tender some of the seasonal elasticity which it had lost since the advent of Treasury deposit receipts. In the last months of 1942, the issue was increased in order to give the banks an opportunity of acquiring more Treasury bills maturing in the period of heavy tax collection, when such maturities would be particularly welcome. With the turn of the financial year, a period of considerable expansion in the floating debt normally opens. It is evidently the wish of the authorities to allow the Treasury bills issued by tender to partake in that movement and not to confine it, as has been the case in the past two years, to the TDR issue. The reasons for this change in floating debt policy are probably to be found in the convenience of the banking system. It is evident from recent clearing bank statements, and from the day-to-day experience of the discount market, that the clearing banks have found it difficult to satisfy their normal requirements of bills. From the point of view of the banks and the distribution of their assets, bills still play a rôle from which they have not been ousted by TDR's. They are a more elastic instrument than the TDR, whose pre-encashment is hedged with many conditions, and whose acquisition by the banks is a process in which the banks have less power of initiative and decision than they have in their purchases of bills from the market. The banks,

therefore, desire to maintain a certain minimum volume of bills which is certainly above the exiguous figures maintained in recent months. The banks' bill portfolios since the turn of the year have been slightly higher than those for a year ago—the March figure of £172 million being some £10 million higher than the corresponding total for 1942. But for a truer comparison one must go further back than 1942, when the bill famine was already in being. This bill famine has developed despite a greater issue of bills through the weekly tender than has ever been known in the past. To some extent, this higher Treasury bill issue has merely taken the important place that used to be filled by commercial bills. But more important has been the increasing competition for the available amount of discountable sterling paper. Although some Empire central banks continue to be fed with bills via the tap, there is still an important special demand for bills which is fed from the weekly tender—either by direct tendering or by purchases from the market. The amount of sterling funds competing for the tender issue of bills is still increasing, and it is in this fact that the main reason for the current increase in the bills so issued must be sought.

Distribution of Bank Deposits

Among the new material contained in this year's White Paper on War Finance and National Income and Expenditure is the first publication of the statistics on the distribution of bank deposits as between personal and business accounts. At the request of the Central Statistical Office, the clearing banks have been making periodic sample

investigations into the distribution of their deposits. The results are as follows:

	(£ Million)				
	30th June, 1940	30th June, 1941	31st Dec., 1941	30th June, 1942	31st Dec., 1942
Total deposits held by clearing banks	2,469	2,946	3,329	3,263	3,629
Less: Advances to customers and other accounts	962	859	807	800	773
Total deposits (net)	1,507	2,087	2,522	2,463	2,856
Personal deposits (net)	617	661	692	704	820
Other deposits (net)	890	1,426	1,830	1,759	2,036

The net deposit totals are arrived at after deducting loans and advances from the gross figures. No attempt has been made to adjust the figures for the amount of bank accommodation obtained by discounting bills. It is rather surprising that the gross deposit figures should not have been corrected for cheques in course of collection and items in transit. To the extent that these transit items have been abnormally swollen by the greater delays involved by the wartime clearing machinery, the growth in deposits shown in the above table has been overstated. The personal deposits exclude the accounts of businesses, financial institutions, public authorities, and also those of individual traders, farmers, shopkeepers and professional men where the accounts are known to be used for purposes of business. The outstanding feature brought out by the table is its revelation of the extent to which the growth in net deposits has been accounted for by business deposits. The comparatively small rise in personal deposits is much more than offset by the increased personal savings effected to meet accrued taxation. Another table in the White Paper shows this increase to have amounted to £280 million in 1942 and £206 million in 1941. The explanation of the comparatively small increase in personal deposits is probably to be found in the fact that it is the individual bank depositor who tends to place any surplus cash he may accumulate in Government loans. The type of individual who has both the means and the wish to exercise a preference for liquidity is the wage-earner who remains untouched by the banking habit and who is hoarding notes.

Strength of Argentine Peso

Following the persistent strength of the Argentine peso in the domestic free market, the Argentine authorities have this week raised the official exchange value of the peso for the payment of non-regular exports from 481.82 to 397.02 pesos per 100 US dollars. This change has automatically involved a revision of the corresponding sterling rate from 16.95½ to 15.96 pesos to the £. The strength of the Argentine currency derives both from the commercial balance of payments and from capital movements. Shipping difficulties have affected Argentine exports and imports alike; but whereas there has been a glut of exportable material from Argentina, there has been no comparable volume of import goods from the two main sources of imports, namely, the United States and the United Kingdom. The commercial balance of payments has thus been shifting steadily in favour of Argentina, and that country has been accumulating in sterling and dollars as a result. The accumulation of dollars has to some extent been kept down by imports of gold, and it is probable that an appreciable part of the \$401 million of gold which has been sold by the US Stabilisation Fund since June, 1942, has made its way to Argentina. As a neutral country evidently determined to go a long way in the defence of its neutrality, Argentina has also become a favourite place of refuge for foreign capital. This influx of foreign capital has played its part in driving up the exchange value of the peso in the free market. The favourable balance of payments for 1942 is officially estimated at 503 million pesos. It is interesting to note that hitherto the only official answer to the strength of the peso in the free market has been a widening of the margin between the rates quoted by the authorities to importers and exporters respectively. The official exchange market in Argentina remains as rigidly stratified as ever, and the improvement in the general position is not being allowed to benefit those who have to make remittances from Argentina. Argentine exporters must accept fewer pesos for the foreign exchange they hand over to the Central bank, but the authorities' selling rates for exchange remain unchanged. There are limits beyond which the playing of this game cannot proceed, but as long as the exchange market remains as rigorously controlled as it is in Argentina there must be abundant scope for this kind of manoeuvring.

Investment

Railway Politics

The boomlet in diamond shares and African gold mines, for the time being at any rate, appears to have passed its zenith. There have been several bursts of profit taking, but, so far, they have caused little real set-back in prices, and some of the diamond shares and developing mines are still rising. This movement is, and always has been, mainly based on buying from the Cape. The development which is promising to replace it, a renewed demand for railway stocks, has its origins nearer home. While prior charges tend to fall with the modest weakening of long-dated gilt-edged stocks, equities have been rising at the rate of a point a day, and are now at the highest for a period of years. The commonly accepted explanation of the rise is the activity of the official representatives of railway stockholders, who are organising opinion to exert pressure on the authorities, nominally for a revision of the existing agreement. In this matter, the railway executives, having accepted the terms offered under a threat of nationalisation, are powerless to act, but it may be assumed that they are not sorry to see others doing so. There would seem to be very little chance of securing any change in the agreement, but the real object is understood to be to obtain gages for the post-war period. These it would be most improper for the Government to give, and, unless they include buying out existing holders, it is difficult to see how there can be any adequate protection for the stockholder against the claims of labour in a protected industry. At present levels, the yield on railway equities is still in excess of the general level. The point is approaching, however, at which quotations will discount the long-term maintenance of profits at the level of the present rental payment.

Debentures into Preference

While a number of concerns are busy converting debentures to lower rates of interest, the Austin Motor Company is going one better, as did Joshua Hoyle, by substituting for the existing 5 per cent debenture stock a 4½ per cent cumulative redeemable preference issue. The former, to the extent of £944,280, is to be repaid on three months' notice at 103, while provisional arrangements have been made for the private placing of the latter on terms to yield its full nominal value net to the company. There appears to be an accumulative sinking fund of 1½ per cent per annum on the debentures, whose original amount was £1,100,000, and a similar fund is to be established for the preference shares, which are to rank in front of all existing capital. Owing to the differences in date, amount and rate of interest, the sinking fund will not extinguish the new shares until 1978, whereas the debentures would have been paid off by 1965. Against this, and an immediate cash payment of some £28,328, there appears to be a saving in yearly charges of some £11,500. In the circumstances, there appears to be no reason why shareholders should object to the change. Repayment of the new preference is to be effected by purchase at or under 21s. or by drawings at that figure, while there is power to anticipate repayment, in whole or in part, at 21s. 6d. per share. The 7 per cent preference capital, which ranks after the existing debentures, stands at about 33s., yielding some £4 5s. 6d. per cent, but it is irredeemable. There is likely to be some disappointment that the debenture holders are to be offered no conversion rights and that no class of shareholder is being invited to apply for the shares. They have been privately placed, presumably at the request of the Treasury, and will gradually come on to the market, but subject to a six-months bar on sales below par.

Canadian Railway Traffic

The simultaneous arrival in this country of the accounts for last year provides an opportunity for some investigation of the character of the recovery in these companies' fortunes. Excluding railway tax, the operating ratio of Canadian Pacific fell from 71.65 to 71.54 per cent last year. In the latest complete pre-war year, 1938, the figure was 82.3 per cent. The Canadian National secured a heavier reduction last year, from 78.12 to 76.93 per cent, but the actual rate is still well above that of its competitor. Unfortunately, such statistics as are produced by the two lines are not always comparable. The Pacific shows a rise on the year in total carload traffic of 7.3 per cent to a figure more than 50 per cent above the 1938 level. The corresponding rise in tonnage of manufactured and miscellaneous goods was 16.2 per cent on the year and almost 100 per cent on the quinquennium. This is a considerable achievement, but the passenger showing is even more striking. Revenue passengers carried rose 47.2 per cent on the year and 80.5 per cent on the five years, while revenue passenger miles rose by 60 per cent over 1941 and 175 per cent over 1938. The result of this was a rise in passenger revenue per train mile of 44.4 per cent to a figure more than double that of 1938. Against this, freight revenue per train mile, although 8.7 per cent up on the year, was only some 16.25 per cent above 1938. It is also worth noting that, despite the heavy fall against 1941, agricultural tonnage was 25 per cent up on the five-year comparison. Meanwhile, the National system secured a rise of almost 55 per cent in passenger miles on the year and one of 51 per cent in passenger revenue, the latter figure being three times that of 1938. For this group, ton miles of revenue freight increased 16.7 per cent on the year and 120 per cent on the five-year period. While the rise in freight traffic receipts is much larger than that in passenger takings, the very large percentage expansion shown in the latter suggests that this feature has played a very important part in raising total net receipts. In this rise the cancellation of cheap fares has played a considerable part. It is not easy to say how much of the increase in freight will remain after the war, but the passenger position is approaching that existing in this country, and it is quite evident that, even if no fall in passenger miles were to be anticipated, profit, under more or less competitive conditions, is bound to fall very sharply.

Investment Trust Conversion

With the offer made last week by the Sterling Trust, the process of debenture conversions enters a new field. There exists a number of investment trusts with debentures optionally redeemable, and there is every reason to suppose that early advantage will be taken of the permission to convert. The offer applies to £1,443,760 of 5 per cent "A" and "B" debentures, whose life has been extended so that they are now repayable at any time on six months' notice at 101. Holders are offered a new 3½ per cent stock, 1963-73, at 99, with the alternative of repayment at 101 on November 1, 1943. The announcement has been made public well in advance of the necessary date, May 1st, and the offer will remain open until well after the middle of that month, because the debentures are in bearer form and holders cannot be approached directly. The question of whether the holder who wishes to remain in the investment trust movement should accept the new stock will depend on his exact assessment of the status of the Sterling Trust. A shade over 3½ per cent for 30 years is not specially attractive. A substantial part of the maturing stock is, in all probability, held by money houses who will prefer cash to a long-dated security, unless they can see an early turn in the latter. It is, however, improbable that the new stock will be allowed to come rapidly on the market, if it is subscribed under a guarantee or the more normal underwriting contract. Interest on the new debentures and the existing 4 per cent stock of the Sterling Trust is covered rather more than two and a quarter times by net income for last year. It is difficult to say what will be the prospects for these concerns after the war, but it is reasonable to suppose that they will be able to make considerable profits, even in a partially controlled new-issue market. The average yield shown by *The Actuaries' Investment Index* at the end of March was 3.61. It had improved almost monthly to that figure from a maximum of 4.31 at the end of 1940. During that period the yield margin between investment trust debentures and general industrial debentures has increased from 0.13 to 0.27 points, the latter now being 3.89 per cent.

Company Notes

Canadian Pacific Report

The 1942 Canadian Pacific Railway report throws considerable light on the jump in profits discussed in *The Economist* of March 13th last. The 16 per cent rise in gross earnings to \$256,804,091 was, in fact, a record for all time, even surpassing the earnings of 1928. By far the biggest jump came in passenger receipts, which rose by 55.5 per cent, despite the withdrawal of cheap fares. The explanation is, of course, the curtailment of road traffic. Freight earnings were higher for every category except grain transport, which is prejudiced by the decline in exports and the lack of storage space at the docks. Of subsidiary sources of income, net profits of steamships were rather higher, but net profits of hotels decreased somewhat more steeply. The rise in expenses, which outstripped the jump in income, despite the improvement in loadings and the reduction in empty car miles, was accelerated by higher wage payments. The directors point out that efficiency was reduced last year by a marked rise in labour turnover, which reached more than twice the normal peace-time level. Satisfactory as the rise in gross, and even in net, profits undoubtedly is, the full accounts emphasise the extent to which the recovery is due to war-time conditions—in particular, to the industrial boom and the petrol shortage. In these circumstances, it is impossible to forecast any permanence for the present level of earnings. In view of the directors' statement of two months ago that payment of equity dividends is out of the question until the level of prior charges is reduced to that existing when dividends were last paid in 1931, around that existing when dividends were last paid in 1931, a reduction of \$1,273,195 to \$22,955,503, against \$22,050,364 in 1931, is important. On the other hand, fixed charges rose by \$2,890,499 between 1930 and 1931, and it is clear that the whole of this difference will not be eliminated in 1943. But if in the current period the funded debt is reduced to the 1931 level, there does seem to be a case for the distribution of some token payment on common shares, even if it is virtually certain that surplus earnings, despite the potential recovery in grain traffics, will fall away when the war is over. Capital expenditure of 1942 exceeded the \$13,970,890 sanctioned by \$1,562,489. The 1943 total is estimated at \$14,196,440. The \$25 common shares have improved lately, and now stand at \$17½.

Cunard Accounts

Despite the rise in net profits of *Cunard Steam Ship* for 1942 of some £114,000 to £343,723, discussed in *The Economist* of April 17th, the full accounts show that total income rose by less than £42,000 to £1,064,196. Taxation and general expenditure required £459,484 against £365,441, but there is a saving of £45,000 in the transfer to taxation reserve, which receives £100,000, and there is a big drop in debenture service, which absorbs only £15,849 against £184,181, thanks to the virtual disappearance of £3,760,000 of 5 per cent stock. Despite the fact that equity earnings, after charging one year's preference payments, amount to 9.9 per cent, Sir Percy Bates issues a warning that the 2½ per cent interim, recently declared on ordinary stock and the Government share for 1943, will not necessarily be followed by a final dividend. This is wise, for the earning capacity of the group as a whole, despite the elimination to arrears and some prior charges, depends essentially on the safety of its fleet—a matter on which no forecast can be valid. It is very regrettable that this year there are no accounts of Cunard White Star. Sir Percy states that this subsidiary, as well as Port Line and Thos. and Jno. Brocklebank, has large liquid resources. This is not the case with the parent. Cash holdings have declined from £416,369 to £205,721 and there is a rise from £3,281,770 to £3,640,889 in net borrowing from subsidiaries. Neglecting the secured loan, unchanged at £300,000, there is a jump in the excess of current liabilities over liquid assets from £59,116 to £173,832. As to the future of the company, Sir Percy Bates intends to carry on in a spirit of reasonable but cautious hope. At the same time his admonition that no one should hold more Cunard ordinary than he can afford to lose can scarcely be described as encouraging. Further, on the point of air transport, he is evidently disappointed that a further year has served only to stress the difficulties of securing any development on the lines he advocates. The £1 ordinary stock fell 1s. 3d. on the report to 19s. 3d. ex dividend.

J. & P. Coats Profits

The preliminary statement of J. & P. Coats shows that in 1942 part of the previous year's setback was recovered. Net profits amount to £1,706,816 against £1,631,816 in 1941 and £1,884,852 in 1940. In 1941, the ordinary dividend was reduced to 8½ per cent from the 10 per cent to which it was reduced in respect of 1935. The latest results show that equity cover has risen by 1 point to 9.9 per cent, but there is no increase in dividend, the surplus over the 8½ per cent payment being added to the carry forward, which is raised from £455,705 to £541,241. J. & P. Coats sell a virtually essential article, cotton thread, in a field in which competition is restricted and supplies and prices are fully regulated by Government control. In these circumstances, there is little opportunity in wartime of earning higher profits. It must be assumed that last year's increase is due to a rise in sales—stimulated no doubt by clothes rationing—and that in 1941 the concern was not liable for EPT. Presumably, it is close to the EPT level, for the chairman, Mr J. O. M. Clark, in last year's statement gave a definite warning that this factor would in any case preclude a restoration of the 10 per cent ordinary dividend for the duration. The results appear to be as good as could be expected. The £1 ordinary stock at 44s. 9d. yields £3 19s. 1d. per cent.

Crosse and Blackwell Results

The preliminary statement of Crosse and Blackwell for 1942 shows a rise in net profits only from £58,496 to £64,901. There can be little doubt, however, that total income must have risen to a new record for the past decade. The previous year's net earnings were themselves the product of record total profits of £814,076, of which income tax and EPT required £632,654. In the circumstances, it is surprising that any further increase in the net figure has been possible. The latest figure provides equity earnings of 8.0 against 7.7 per cent for the ordinary dividend, which is raised from 4 to 5 per cent, the highest payment on the reduced capital of the 1935 reconstruction. The improvement is almost certainly the result of expenditure on the new plant which came into production in the previous year. The chairman, Sir Frederick Eley, then pointed out that there had also been a considerable cost saving rationalisation of process which may find further reflection in pre-tax profits. The influence of the debenture

repayment, carried out at the end of September last, can hardly have had considerable influence in the 1942 results, but, for the current period, the saving in interest on the 6½ per cent debentures, of which more than £1,000,000 were still outstanding, will be important. The 1s. ordinary stock at 1s. 7½d. yields £3 1s. 8d. per cent, a level which shows that the market assumes a further recovery.

Union Corporation Report

Disclosed revenue of the Union Corporation for 1942 amounted to £629,589, after allocating £25,000 against nil to pensions contingencies reserve, and compares with the £644,661 revealed in 1941. The ordinary dividend, maintained for the fifth successive year at 64 per cent, is slightly underearned according to the accounts, and involves a draft of some £6,000 on the carry forward, reducing this item to £121,664. Of the five Rand mines in which the company is particularly interested, two were able to raise their distributions, one was unchanged, and the other two reduced their dividends. Since output appeared to be fully maintained, the special tax, raised last year from 16 to 20 per cent, probably accounted for the reduction in some distributions. For 1943, the rate is 22½ per cent. According to the directors' report, share holdings now shown at £3,035,044, a reduction of some £54,000, would, at present prices, show a very substantial surplus. As in preceding years, provision for contingencies has been made by writing down certain holdings. Cash is over £1,070,000 higher at £4,106,989, and together with the holding of British Government stocks and South African tax certificates, which have risen by some £600,000 to £5,109,875, constitutes virtually 75 per cent of the company's total assets. Apart from Rand interests, the company has, *inter alia*, Rhodesian and West African investments, while, during last year, it was responsible for the production of material quantities of chrome ore. There is no reason why the present distributions should not be maintained, although the accounts provide little indication as to actual earnings. Reserves must, however, be considerable. If restrictions on output and further taxation should enforce lower dividends, the shareholders can content themselves with the fact that the post-war rôle of gold has not been overlooked. Its future importance may be judged from the fact that of the 1942 output, the Empire provided 63 per cent, while of the world's total holding, the United States now possess some 64 per cent. In the circumstances, the yield of some £4 18s. 8d. per cent on the 12s. 6d. shares standing at 165s. is reasonable.

Industry and Trade

Future of Civil Aviation

The future of civil aviation has become a topic of widespread interest, and the persistent prodding of the Government inside and outside Parliament is the healthy expression of a general feeling that Great Britain should take to the air as readily as the country has taken to the sea. On Wednesday last week in the House of Commons, and on Thursday in the House of Lords, the Government's policy was criticised with special reference to the composition of the new board of directors of the British Overseas Airways Corporation. Lord Rothermere questioned the qualifications of Mr Simon Marks, the head of a firm of chain stores, and of Mr John Marchbank, the former general secretary of the National Union of Railwaymen. His attack was hardly justified, inasmuch as organising ability and vision on the part of some members of the board surely count for more than merely previous experience or a pilot's certificate. True, a great deal will depend on the selection of the future permanent chairman, who should combine energy with vision as well as youth, and the Government is to be commended for not making a hurried decision. The wider problem of the future organisation of international air transport was discussed by Major-General Sir Frederick Sykes, Controller-General of Civil Aviation from 1919 to 1922, at a meeting of the Institute of Export on Thursday last week. He urged the need for the adoption of a policy of freedom of the air and for healthy competition between nations. Given a measure

of goodwill, it should not be too difficult to reach agreement on the fundamental conditions for a healthy growth of international air transport after the war. These are: (a) freedom of the air and of landing, fuelling and repair facilities, (b) standards of safety and working conditions, and (c) avoidance of competition in subsidies. On March 11th, Sir Archibald Sinclair, Secretary of State for Air, stated, on behalf of the War Cabinet, that it will be the "duty" of this country to "play a prominent part in the production and operation of civil aircraft." It is now up to the Government to discharge its self-imposed task with speed, energy and foresight.

Progress of Road Haulage Scheme

The Ministry of War Transport's scheme for securing economies in long-distance road haulage by means of a regional organisation under its control is now being rapidly applied. It may be recalled that the scheme (it was described in *The Economist* of November 7, 1942) envisaged the transfer of as much long-distance traffic as possible from road to rail; the concentration of the remaining traffic on the fewest possible vehicles; and the maintenance in serviceable condition of laid-up vehicles. The regional organisation consists of twelve divisions; each division is being subdivided into suitable areas, and vehicles grouped into units of about 50 vehicles, each centred on a firm with

the requisite facilities. Unit controllers, drawn from the industry, are responsible for ensuring that no traffic is accepted which should be carried by some other means of transport; these officers are to collaborate with the regional transport commissioners who supervise the issue of fuel to the units. As the basis or nucleus of each unit of vehicles the Ministry, with the advice of the regional transport commissioners, selected suitable undertakings which are being taken over bodily against compensation based, broadly, on their net profits for the average of any two years within the period from January 1, 1935, to March 31, 1939, subject to appropriate adjustments for any change in the capital value of the assets employed by them. As was shown in a Note on page 338 in *The Economist* of March 13th, there was at first a good deal of organised opposition to the terms offered by the Ministry, but most of the individual concerns approached have accepted them; indeed, some 200 road haulage units are now in operation. The second step, that of strengthening the undertakings selected as units by the inclusion of vehicles hired from other firms, is now about to be taken. On April 17th the Ministry of War Transport and the Standing Joint Committee of Road Hauliers' National Organisations, in a joint communiqué, announced that agreement had been reached on the terms and conditions of hire; the SJC has recommended their acceptance to the industry. Broadly, payment is to be on a 52-week basis, subject to a reduction in respect of laid-up vehicles after one month's notice by the Ministry. Certain items of cost, such as wages, fuel (excluding lubricants), road fund tax, insurance of vehicles and goods in transit risks are excluded from the rates of hire, and are to be reimbursed or borne by the Ministry. The road haulage scheme is shortly expected to be in full operation.

The Rise in Prices

One of the most interesting additions to the White Paper on the National Income and Expenditure (Cmd 6438) is the estimate of the overall rise, since 1938, in the retail prices of the goods and services purchased by the public. In the accompanying table these figures are compared with the official indices of wholesale prices and of the cost of living. Column 3 is based on the prices the consumer has to pay; column 4 shows the increase after allowing for subsidies but exclusive of specific indirect taxes. That the overall rise in the market prices of consumers' goods and services has been appreciably more marked than the more limited range of items included in the cost-of-living index is not surprising. The cost-of-living index is based on the prices of necessities, many of which are rationed, price-controlled and subsidised, whereas the index for all consumers' goods and services includes quality goods and luxuries which are subject to heavy taxation and many items which are not price-controlled. If it had not been for the concentration of production on necessities, to

the disadvantage of quality goods and services and the virtual disappearance of luxuries, the rise in the general index would have been considerably greater. A comparison of the rise in the cost of living index with the more general

Year	ANNUAL PRICE INDICES (1938 = 100)			
	Wholesale Prices (Board of Trade)	Cost of Living (Ministry of Labour)	All Consumers Goods and Services At Market Prices	Including Subsidies but not specific indirect taxes
	(1)	(2)	(3)	(4)
1940	135	118	120	118
1941	151	128	135	130
1942	157	128	145	136

(a) Indices published in the White Paper. (b) Calculated from figures in White Paper.

indices shows that, on the whole, the rise in the prices of necessities has been moderate and that surplus purchasing power has been diverted mainly to unessentials and has partly found its way back to the Exchequer by means of higher indirect taxes.

Aircraft Production

In a war commentary at Guildhall on Tuesday Sir Stafford Cripps, Minister of Aircraft Production, gave some interesting facts about the aircraft industry. In the first quarter of this year the output of complete aircraft, in terms of structure weight, was 55 per cent up on that of the corresponding period last year; the output of bombers alone was nearly three and a half times as big. Sir Stafford drew attention to the importance of combining quality with quantity, which calls for continuous technical adjustments. In view of his drastic intervention in the affairs of Short Brothers and the appointment of controllers to other concerns, his tribute to the industry's personnel and, in particular, his statement that failures in management had been few and exceptional, were reassuring.

The general rule is of good management under great difficulties, courageously faced and overcome. We owe a debt of gratitude to those who have devoted themselves with great ability and perseverance over long hours year after year, and our designers have done a grand job.

One difficulty in the industry's expansion has been its shortage of highly skilled personnel, owing to the absence of adequate provision for training. Much has been done to overcome these difficulties (no less than 40 per cent of the industry's workers now consist of women); in terms of structure weight, the output per person employed in the industry rose by no less than 36 per cent between March, 1942, and March, 1943. Sir Stafford ended his speech with the plea that the aircraft industry should not be allowed to disintegrate after the war.

Mica Control

Last week-end the Ministry of Supply announced that in future mica will be controlled by a special section of the Non-Ferrous Metals Control under Mr G. F. A. Burgess as Controller. So far this product had been administered as one of the "Sundry Materials." Although no official explanation for this move has been published, it seems that the introduction of a special Mica Control is the direct result of the tighter supply position. Mica imports into this country have been subject to licensing since November, 1939, and since December, 1942, licences have been needed to acquire, dispose and process mica. The United States, too, has tightened its mica control by introducing control by allocation on December 10, 1942. Mica, owing to its non-conductivity and flexibility, is an essential material for the electrical industries and serves a very large number of war uses, in high-tension magneto condensers, radio transmitter and receiver condensers, sparking-plugs, radio tube parts, armature rings, washers and other mechanisms. The pro-

duction of all types of war equipment, from the aeroplane to the submarine, as well as the machines for making them, are dependent on adequate supplies of mica. Owing to the many varieties of mica, world production statistics have never been compiled, but the United Nations have access to almost all the sources of supply, including the United States and British India, the most important suppliers. The Allied mica supply problem is not one of a general shortage, but of meeting the large demand for high-grade sheet mica, which forms only a limited part of total supplies. To solve this problem, all supplies of high-grade mica available to the United Nations have since October last been acquired and allocated by the Anglo-American Mica Mission.

Retail Trade

February repeated the recent downward trend in the average daily value of retail sales reported to the Bank of England. In the retail trade report, published in the *Board of Trade Journal* for April 10th, the index (1937 = 100) for all departments is 96, compared with 103 for February, 1942, and the average of 108 for the year ending January, 1943. The departments most affected by the lower turnover were those selling apparel. The index was 70, compared with 93 a year before, and the average of 104 for the year. This fall was due to a lack of coupons. The March figures will probably show some improvement, since a new block of 20 coupons became valid in the middle of that month. The household goods index, at 67, was 14 per cent below the average for the preceding year, and was lower, with the exception of one month, than it had been since August, 1932. The fall in turnover in February is reflected in the higher value (at cost) of stocks at the end of the month; they were nearly 11 per cent higher than the year before.

Women's Land Army

There is one member of the Women's Land Army to every six farmers in this country. At the end of 1939 their numbers were 4,544; 1940, 8,305; 1941, 21,736; 1942, 52,955; and on March 31st of this year 58,221. Nearly 4,000 women are in the Women's Timber Corps, which was formed a year ago. County War Agricultural Executive Committees employ 16,366 WLA members on most types of farm work. Until now there was never a lack of recruits, and the present rate of intake is over a thousand a week. More could be absorbed, but the Ministry of Labour finds it necessary in some areas to draft potential recruits into munition work. The shortage of WLA members means that they are sent only to do such work as milking, general farm work, commercial market gardening, and timber production. It may be necessary to transfer some of them to this work from institution and private gardens. Wages and conditions in the WLA have steadily improved. In 1939 the

average wage was about 28s. for a 48-hour week. Now, a Land Army girl may expect not less than 38s. The Agricultural Wages Board recently proposed a minimum wage of 45s. a week for all women agricultural workers; it is generally believed that this minimum will be accepted by the agricultural wages committees. The existence of an organised body like the WLA has improved conditions of women agricultural workers outside it. Before the war their numbers were 40-50,000, and their earnings about 20s.-25s. a week. They were seldom paid a weekly wage, but were employed by the hour. These workers now number between 70,000 and 80,000, and wages are slightly higher than those of the WLA. The difference is probably accounted for by the fact that the WLA receive free uniforms. The measure of the success of the WLA is the demand from farmers for them. Early in the war it was often difficult to place recruits; now there are not enough to go round.

Attack on Uthwatt Report

The report submitted at the annual meeting of the Land Union on Wednesday draws an astonishing, though in view of its source hardly surprising, contrast between the Scott report on the Utilisation of Land in Rural Areas and the Uthwatt report on Compensation and Betterment. The one is said to be in all ways a constructive document, while the other is described as destructive of the rights of property and of freedom of enterprise. The fact is that the Uthwatt Committee, whose report was described in *The Economist* on September 19, 1942, succeeded in the difficult task of preparing the basis for practical 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 in land values from individual landowners to the community. Unfortunately, the Government is taking rather a long time in studying its implications. Quite recently Mr Churchill informed the House of Commons that examination had not yet been completed. The delay suggests that the recommendations of the report committee are the subject of acute differences of opinion between the parties. Meanwhile, the absence of a policy has created a state of uncertainty and is holding up the complex task of planning. The establishment, earlier this year, of a Ministry of Town and Country Planning under Mr W. S. Morrison and his introduction in the House of Commons this week of an interim development Bill, whose chief purpose is to bring under planning control land which is not subject to a scheme or resolution under the Town and Country Planning Act of 1932, hardly amounts to a policy. What is needed now is a speedy decision upon the Uthwatt Committee's three main recommendations: the purchase by the State of the development rights of rural areas; the introduction of a levy on betterment in built-up areas; and the acquisition of land by the State against fair compensation, if and when required for reconstruction and development.

BANK OF LONDON & SOUTH AMERICA LIMITED

Affords a complete international banking service
through its branches in

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

Head Office:

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

Agencies in: New York, Bradford, Manchester

THE HONGKONG AND SHANGHAI BANKING CORPORATION

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

AUTHORISED CAPITAL - - - \$50,000,000
ISSUED AND FULLY PAID-UP - - \$20,000,000
RESERVE FUNDS - - - £8,500,000
RESERVE FUNDS - HONGKONG CURRENCY - £825,000
RESERVE LIABILITY OF SHAREHOLDERS \$20,000,000

Head Office (temporarily):

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.
Full particulars may be had on application.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000
ASSETS EXCEED - £81,000,000
CLAIMS PAID EXCEED - £147,000,000
(1942 Accounts.)

THE CUNARD STEAM SHIP COMPANY, LIMITED

NOTICE IS HEREBY GIVEN that the Sixty-sixth Ordinary General Meeting of THE CUNARD STEAM SHIP COMPANY, LIMITED, will be held at Cunard Building, Liverpool, in the City of Liverpool, on Wednesday, the 28th April, 1943, at eleven o'clock a.m.

1. To receive and consider the Statement of Accounts and Balance Sheet to the 31st December, 1942, with the Reports of the Directors and Auditors.

2. To elect Directors and Auditors in place of those retiring, but who, being eligible, offer themselves for re-election.

By Order of the Board,

H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool. 19th April, 1943.

THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT

DIVIDEND

NOTICE IS HEREBY GIVEN that a dividend of ten shillings and sixpence per £5 Share will be paid without deduction of British Income Tax, but less Egyptian Government and Alexandria Municipal Taxes amounting to 1/4.1028, making 9/1.8972 net on Coupon 109 on and after the 15th day of April, 1943, at the National Bank of Egypt in Alexandria at Rue Toussourti or in London at 6 King William Street, E.C. 4.

Dated Alexandria, Egypt, the 12th April, 1943.

By Order of the Board,

T. D. KEY
ROBERT WALTON } Joint Managers.

COMPANY MEETINGS

CUNARD STEAM SHIP COMPANY,
LIMITED

SUCCESSFUL RESULTS

SIR PERCY E. BATES'S STATEMENT

Sir Percy E. Bates, Bart., G.B.E., chairman of the Cunard Steam Ship Company, Limited, has issued the following statement to stockholders of the company along with the report and accounts to be presented to the sixty-sixth annual meeting on the 28th instant:—

This year restrictions on the use of paper only permit me to touch on the more important features in the accounts, but we have been able to find room as usual for the comparative figures for 1941.

In the profit and loss account, the first of the debit items is higher, owing to income tax. Directors' fees are higher because of the increase in the number of directors. The amount reserved for taxation this year is lower, not because the E.P.T. situation is much clearer than it was, but because the balance of probability seems to justify the change.

INCREASED REVENUE

The revenue for the year is £42,000 higher in consequence of somewhat larger dividends from our subsidiary companies. The balance being profit for the year is £343,000, compared with £229,000 for 1941. In the balance-sheet, the 5 per cent. debenture stock, which no longer carries interest, has almost disappeared. The deposit by the superannuation fund has been again reduced by £50,000. There is nothing abnormal in the decrease in the item—creditors, open voyage accounts and reserves, nor in the £400,000 increase in loans from Port Line, Limited, and Thos. & Jno. Brocklebank, Limited, two wholly-owned subsidiaries. We needed some more cash and so naturally arranged to borrow what was in effect our own money, and without unduly depleting their cash resources in relation to their commitments.

Adding the year's balance of profit, £343,000 to the carry forward from 1941 of £578,000, the directors have had at their disposal in stages, though never at one time, the amount of £922,000, out of which just over £700,000 has been paid to the preference stockholders for arrears and current dividend, leaving £220,000 which it is proposed to carry forward.

On the credit side, the figures tell their own story; there is nothing abnormal in any of them.

It is impossible under present conditions to circulate the accounts of the subsidiary companies, or a combined balance-sheet. The main subsidiaries, Cunard White Star, Port Line and Thos. & Jno. Brocklebank, all have large and liquid resources.

As regards the air, since last year all that has happened has laid greater emphasis on the difficulties involved in dealing with this element. So far, no national policy has been evolved, and while my ideas remain unchanged no progress in dealing with them has been possible.

DIVIDEND POLICY

The year has justified the hopes I expressed last April. The arrears and current dividends on both issues of preference stocks have been covered by the combined figures of the carry forward from the previous year and the profit earned during the year. But the strain has been a heavy one, involving cash payments of more than double the year's profit. In these circumstances the directors did not feel justified in recommending further payments in respect of the year. On the other hand, we have some reasonable confidence as to the future, and nearly one-third of 1943 is already behind us. It was to give an expression of their present views that

the directors decided to declare the interim dividend on the ordinary stock in respect of 1943. That these views may change with events is of course true, and it should not be assumed that because there is to be an interim dividend on the ordinary stock there is of necessity to be a proposal of a final one a year hence. We must let the year unfold itself. The current business of the company and its associates I cannot discuss, for obvious reasons.

TRIBUTE TO STAFF

I cannot write about the staff with the freedom that I would like, but if I could the stockholders could share with the directors the appreciation and indeed admiration for their work, skill and devotion, which we all feel so strongly, especially with regard to the staff afloat. Staff matters have always held a very special importance in our minds. Since the end of the year the boards of the Cunard Company and Cunard White Star decided to take measures to buttress the superannuation fund, in order to mitigate the effect of the general reduction in the rate of interest obtainable on the gilt-edged securities, in which the fund invests its money. This action has received direct appreciation from every department in both companies.

THE FUTURE

To conclude with a general word on the future. Cunard ordinary stock is a speculative affair; it has emerged from a period of 13 years during which no ordinary dividend was paid. The basic reasons for this absence of return lie mainly in a period of a good deal earlier still, and of course some lie outside the company altogether. On March 19th there were 13,480 stockholders' accounts on the register of ordinary stock; of these 10,168 did not exceed £300; 8,642 stood at £200 or less, and 5,542 showed figures of £100 or less. If I thought it were any use advising that no one should hold more ordinary stock than he could afford to lose, I would give that advice. But by nature man is a gambling animal, as was shown by the popularity of greyhound racing and more recently in the demand for death benefits. Robert Louis Stevenson developed this argument more than 60 years ago in his essay, *The Day After Tomorrow*. The future may contain anything, but for myself I carry on in a spirit of reasonable but cautious hope.

ASSAM RAILWAYS AND
TRADING COMPANY,
LIMITED

The adjourned sixty-second ordinary general meeting of the Assam Railways and Trading Company, Limited, was held, on the 21st instant, in London.

Mr E. A. A. Joseph, the chairman, said that the railway revenue showed a large increase, which was no doubt partly attributable to the carriage of military traffic. There was no reason, however, to suppose that the normal steady progress which had now continued for four years had not been fully maintained. It was particularly gratifying that increased earnings had been accompanied by decreased working expenses, so that the percentage of expenditure on gross takings had fallen from over 61 to under 52. The Government had taken over control of the railway from April 1st, 1942. The board were at present negotiating the terms of the arrangement with the Government of India.

The report was adopted.

CLERICAL, MEDICAL AND
GENERAL ASSURANCE
SOCIETYSIR FRANCIS E. J. SMITH'S
ADDRESS

The annual meeting of this Society was held, on the 21st instant, in London.

The following address was submitted by the chairman, Sir Francis E. J. Smith:—

Judged by war-time standards, the results of the Society's transactions during 1942 are, in the opinion of the directors, satisfactory.

RESULTS OF THE YEAR

Our net new life business rose to the record war-time figure of £1,110,564. New business is important; so, equally, is the avoidance of loss of existing business by the process of surrender. In 1942 surrender values of life policies amounted to only £46,000, which is considerably less than one-half of the corresponding 1939 figure.

The total of normal claims by death was nearly £100,000 lower than in the previous year, and their character was favourable. On the other hand, claims arising directly or indirectly from the war were heavier than in 1941.

The Society continued, as in previous recent years, to support new issues of War Loans to an extent which materially exceeded the current growth in funds, a policy which must, by itself, impart a downward trend to the average rate of interest earned upon the assurance funds.

Actually, during 1942, a substantial recovery took place in the income produced by our property investments and, mainly on this account, the average gross yield earned upon our assurance funds rose by 4s. 10d. per cent. to 4s. 5s. 3d. per cent., and the net yield by 2s. 6d. per cent. to 3s. 3s. 6d. per cent. These welcome recoveries in yield were foreshadowed a year ago when I stated that the interest rates then published did less than justice to the earning powers of the Society.

THE SOCIETY'S ASSETS

Our holdings of British Government securities rose, by £500,000, to just over £3,000,000, whilst mortgages and loans decreased by nearly £400,000. In other respects, the distribution of the total assets of £16,500,000 showed little change. A valuation of the Stock Exchange securities at the end of the year disclosed a satisfactory rise in capital values, which further increased the margin by which market prices exceeded book values.

TREATMENT OF WAR RISKS

In regard to the treatment of war risks, the directors have decided to continue, so far as reasonable prudence permits in time of war, the Society's traditional practice of issuing new life assurance contracts with the minimum of restrictive conditions. Even today, our new life policies, with few exceptions, provide unrestricted cover, at the tabular rates of premium, against all the risks of death incurred by civilians and by members of His Majesty's Army serving in this country. Should death occur as the direct result of service in the Army overseas, or in any other branch of His Majesty's Forces, the degree of cover provided is restricted. The amount payable may vary, according to the nature of the war risk and the form of policy, from a return of the premiums paid to as much as one-third of the full sum assured. In the case of deferred assurances, issued on the lives of children under ten years of age, no restricted war clauses are inserted at all.

The transaction of new life assurance business, under existing conditions, is clearly of two-fold importance. Each new policy provides added security for dependants, and each new premium paid constitutes a contribution to national savings.

THE MIDLAND EMPLOYERS'
MUTUAL ASSURANCE,
LIMITED

CHAIRMAN'S REVIEW

RECORD PREMIUM INCOME

ASSETS EXCEED £4,000,000

Presiding at the forty-fourth annual general meeting of the Midland Employers' Mutual Assurance, Limited, in Birmingham, on the 20th instant, the chairman, Lieut.-Colonel J. Beaumont Neilson, C.M.G., D.S.O., C.A., gave the following review of the company's activities during 1942:—

BALANCE SHEET AND ACCOUNTS

You will see from the revenue account that the premium income, less reinsurances for the year 1942, amounted to £2,664,272, an increase of £314,112. This is another record in the history of the company. The increase is due again not only to more employment and higher wages, but also to a substantial increase in the number of policyholders.

LOW EXPENSE RATIO

The expenses of management at £214,150 shows the very low ratio of 8.04 per cent. This is substantially in the same ratio as the previous year, notwithstanding the fact that during the year under review the company has continued to make allowances to all members of the staff who are on active service, has continued the "Grant in aid" scheme initiated two years ago to the remaining members of the staff, and has found it necessary to employ a larger number who are over military age or unfit for military service to take the place of those called up. In spite of this the increased business of the company has been handled with the promptitude and efficiency for which we have earned a reputation. Commission at £135,880, i.e., 5.1 per cent., is in the same ratio as the previous year.

INCREASED NUMBER OF ACCIDENTS

Cash expenditure in connection with claims amounted to £1,584,388, which is an increase of £239,917 over 1941. It will be noted that the insurance fund at the end of the year amounted to £3,414,595, against £2,741,704 a year ago. Of this amount, £1,198,923 is reserved in respect of unexpired risks as against £1,057,572 in the previous account, whilst the claims reserve at £2,215,672 is £531,540 in excess of the figure for 1941.

During the year under review the number of accidents reported again shows a substantial increase. This is due to new entrants into industry and the large number now employed therein, in addition to which fatigue and overstrain play a large part in the cause of such accidents.

ASSETS

The assets of the company as at December, 1942, show that there is an increase in investments of £281,709, in cash £415,035 and debtors £52,093. The assets now total £4,080,621, as compared with £3,331,784 a year ago.

The war savings scheme referred to in my previous reviews is continuing to work well.

BEVERIDGE REPORT

Considerable interest has naturally been aroused by the proposal in the Beveridge Report to include compensation for industrial accidents in the Social Insurance Scheme (subject to additional assessment of employers in the more hazardous industries). The experience of the past forty-five years has shown that there are many advantages in the existing system when administered on such an economic basis

as that of your company, and this fact will doubtless be taken into full consideration by the Government in formulating any legislation they decide to introduce. Improvement in the scales of compensation, which is probably overdue, can be as readily and undoubtedly more economically operated under the present system of mutual insurance than under any other.

The company's general manager prepared and issued a memorandum of observations on the Report in so far as it dealt with workmen's compensation. These observations I consider excellent and they should be of great help to all who have to study this part of the Report.

STAFF

As I have mentioned in previous reviews, the company has suffered by reason of the call-up of members of the staff to the Forces. Over 72 per cent. of our male staff are now engaged in various branches of the Services, in addition to which a large number of the female staff are either serving in the auxiliary units or have been released for other forms of national service.

The increasing premium income and the increased number of accidents referred to above have thrown a large amount of additional work on those members of the staff who remain. In dealing promptly and efficiently with the injured man-power we are, I feel, carrying out work of the utmost national importance and it is to be hoped that further calls will not be made on our much reduced staff.

Once again I have to commend to you the excellent work done by the whole of the company's staff, and special thanks are due to the general manager for his great work on behalf of the company.

The accounts were unanimously adopted and a vote of thanks to the chairman brought the meeting to a close.

BIRMINGHAM SMALL ARMS
COMPANY, LIMITED

CONTRIBUTION TO WAR EFFORT

The adjourned ordinary general meeting of the Birmingham Small Arms Company, Limited, was held, on the 20th instant, in Birmingham.

Sir Bernard D. F. Docker, K.B.E. (the chairman), said that the profit on trading and income from investments, after providing for E.P.T., N.D.C. and contingencies, was £719,758, compared with £777,264 in the previous year. Unfortunately the resources remaining available after payment of taxation of such severe and varied kinds related little to the magnitude of the productive effort made for the prosecution of the war. It was no exaggeration to say that without what was known as private enterprise the provision of munitions upon the present scale would have been utterly impossible.

Their tool group of companies was continuing its efforts in an ever-increasing degree. In previous addresses he had pointed out the necessity for H.M. Government to show an interest in the stability of this "key" industry.

It might well be that it was necessary for controls to be kept on after the war for a time, but it must be clear that the period must be strictly limited by absolute necessity. They had fought the war and they would win the war to achieve freedom; they must see that they did not escape that danger only to become the prey to the sapping efforts of bureaucratic control. Let them be free to go about their business; let planning be done when it must be done by industry and not by the state, and finally they were told monopolies were bad; let them not conjure up the greatest of all monopolies, state monopoly.

Finally, he would like to express sincere thanks to the chief executives and their staffs and to all the staffs and workpeople throughout their widely dispersed organisation.

The report was unanimously adopted.

TELEGRAPH CONSTRUCTION
AND MAINTENANCE
COMPANY, LIMITED

LARGER PROFIT

The seventy-ninth ordinary general meeting of this company was held, on the 20th instant, in London.

Mr Colin F. Campbell, the chairman, in the course of his statement, previously circulated, said: The trading account shows an amount of £320,708 compared with £148,066 last year, and after putting aside £270,000 to meet taxation, there is a balance remaining on profit and loss account of £49,365. The directors have decided to transfer a sum of £23,675 to "reserve for contingencies," which leaves a balance of £25,689, to which must be added the sum of £40,571 carried forward from the previous year's account. The board recommend a final dividend of 5 per cent., making a total for the year of 10 per cent., the same as for 1941.

The works have been occupied during the year beyond their normal capacity and the output has exceeded all expectations. The board has taken every precaution to maintain the efficiency of plant and machinery, but we shall, in time, be faced with heavy commitments for renewals. Provision for these should be made now, but the excessive demands for taxation preclude us from doing all that is required. We do, however, look forward to the repayment of 20 per cent. of the excess profits tax after the war in view of the assurances of Government in this respect; this will help us to effect the necessary replacements.

The company's standard rate of profit is not a good one, so that the heavy provision for taxation is a severe drain upon our liquid resources. The Selborne Estate is in a particularly unfavourable position in regard to its standard rate of profit. Unfortunately it has now passed into enemy hands.

The report was adopted.

BRITISH TYRE AND RUBBER
COMPANY, LIMITED

BUSINESS WELL MAINTAINED

The annual general meeting of the British Tyre and Rubber Company, Limited, was held, on the 20th instant, in London, Sir Walrod Sinclair, K.B.E. (the chairman), presiding.

The following is an extract from the statement by the chairman circulated with the report and accounts: The net profit has this year been struck after providing for National Defence Contribution and Excess Profits Tax. The figure of £204,115, therefore, has this in common with our pre-war accounts, that it is subject to income tax only, which, in so far as profits are distributed, is passed on to shareholders. The amounts allocated to contingencies and general reserve are £25,000 respectively as last year. The total distribution to ordinary shareholders is likewise maintained at 11 per cent. The provision for taxation—£95,000—in conjunction with the contingencies reserve is sufficient to cover income tax on all profits to September 30, 1942, at present rates. The amount carried forward—£72,438—is £1,773 less than that brought in.

Despite the restriction of essential raw materials, in addition to the many other difficulties with which we have had to contend, your company's business has been well maintained during the year under review, with results which your directors consider to be satisfactory.

The course of business so far for the current year is reasonably encouraging, although the long view remains obscure. Rubber is now accorded its rightful place in the short list of essential materials, and the strictest economy in consumption is practised in all the factories of the B.T.R. group. This, of course, is a national duty, and I should like to take this opportunity to appeal most strongly for the practical co-operation of every user.

The report was unanimously adopted.

Finance

GOVERNMENT RETURNS

For the week ended April 17, 1943, total ordinary revenue was £40,063,000, against ordinary expenditure of £122,022,000, and issues to sinking funds of £140,000. Thus, including sinking fund allocations, the deficit accrued since April 1st is £202,584,000 against £167,501,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to April 18, 1942	April 1 to April 17, 1943	Week ended April 18, 1942	Week ended April 17, 1943
ORDINARY REVENUE				
Income Tax	38,650	44,696	12,035	14,979
Sur-tax	3,370	3,002	910	902
Estate, etc.	6,935	5,103	2,605	2,290
Duties	90	30	30	30
Stamps	1,728	1,208	480	550
M.D.C.	11,025	18,436	1,995	6,880
E.P.T.	50	20	40	10
Other Inland Rev.	61,848	72,495	18,065	25,641
Total Inland Rev.	120,964	140,000	33,682	40,063
Customs	20,067	22,013	10,226	7,536
Excise	7,000	9,400	4,000	4,900
Total Customs & Excise	27,067	31,413	14,226	12,294
Motor Duties	1,613	881	222	249
Canadian Govt. Contribution	4,494	...	...	...
Post Office (Net Receipts)	550	Dr. 400	700	200
Wireless Licences	...	...	...	...
Crown Lands	...	...	...	...
Receipts from Sundry Loans	55	216	...	...
Miscell. Receipts	2,768	2,646	1,128	1,675
Total Ord. Rev.	98,395	107,251	34,341	40,063
SELF-BALANCING P.O. & Brdcastg.	3,900	4,400	1,200	1,400
Total	102,295	111,651	35,541	41,463

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to April 18, 1942	April 1 to April 17, 1943	Week ended April 18, 1942	Week ended April 17, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	31,941	33,649	11,896	13,222
Payments to N. Ireland	...	...	...	...
Other Cons. Fund Services	33	33	...	...
Total	31,974	33,682	11,896	13,222
Supply Services	233,600	275,800	86,000	108,800
Total Ord. Exp.	265,574	309,482	97,896	122,022
Sinking Funds	323	353	120	140
SELF-BALANCING P.O. & Brdcastg.	3,900	4,400	1,200	1,400
Total	269,797	314,235	99,216	123,562

After decreasing Exchequer balances by £120,964 to £2,764,585, the other operations for the week (no longer shown separately) raised the gross National Debt by £82,181,346 to £17,065 million after allowing for £14 million of sinking funds in 1942/43.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	£ thousands			
	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds
Mar. 2	5,143	2,136	13,367	8,377
" 9	6,960	2,837	27,371	50,781
" 16	8,834	4,405	32,718	39,223
" 23	8,863	2,063	8,527	11,100
" 30	5,630	2,507	9,864	9,468
Apr. 6	6,484	2,695	19,059	8,783
" 13	6,434	3,170	11,885	19,581
Totals to date	768,749*	560,688*	1,142,814	227,487†
* 177 weeks. † 20 weeks.				
† Including all Series.				
Interest free loans received by the Treasury up to Apr. 13th amounted to a total value of £55,703,386. Up to Mar. 31st, principal of Savings Certificates to the amount of £100,322,000 has been repaid.				

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Overseas Trade Guarantees	205

TREASURY BILLS

Date of Tender	Amount (£ millions)			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1942					
Apr. 17	70.0	147.5	75.0	s. d. 20 2.89	36
Jan. 22	75.0	148.2	75.0	19 11.57	33
" 29	75.0	148.2	75.0	19 11.57	28
Feb. 5	75.0	148.2	75.0	19 11.57	29
" 12	75.0	148.2	75.0	19 11.57	34
" 19	75.0	148.2	75.0	19 11.57	32
" 26	75.0	148.2	75.0	19 11.57	24
Mar. 5	75.0	148.2	75.0	19 11.57	25
" 12	75.0	148.2	75.0	19 11.57	30
" 19	75.0	148.2	75.0	19 11.57	30
" 26	75.0	148.2	75.0	19 11.57	30
Apr. 2	75.0	148.2	75.0	19 11.57	30
" 9	75.0	148.2	75.0	19 11.57	31
" 16	75.0	148.2	75.0	19 11.57	37

On April 16th applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 37 per cent of the amount applied for, and applications at higher prices in full, £90 millions of Treasury Bills are being offered on April 23rd. For the week ending April 24th, the banks will be asked for Treasury deposits to the maximum amount of £50 million.

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, Prague; November 21, Switzerland.
 1943. January 23, Reichsbank; April 3, Australia, New Zealand and South Africa; April 10, Portugal; April 17, Argentina, Canada, India, International Settlements, Turkey and U.S. Federal Reserve Banks.

their ability to stave off a German invasion developed into the conviction that the Germans were beaten, and that it was only a matter of time before the collapse would come. That is the Swedish state of mind to-day.

Thus the Swedes feel that, in a measurable space of time, their isolation will be broken, and they will be called upon to define their attitude towards other nations and to adjust their policy to the post-war world. There is intense interest in and speculation about the shape of things to come, and since Swedish policy must inevitably depend on the kind of settlement achieved by the Great Powers, Sweden is waiting anxiously for some indication of their intentions. Most Swedes realise that a satisfactory international system turns on the continuing friendship of Britain, the United States and Russia, and they are anxious lest disagreement over the future of Europe's eastern frontiers should be a barrier to post-war co-operation. The future of Finland naturally touches them very closely, and there is no disguising the undercurrent of apprehension which runs right through Swedish society where Russia's future policy is concerned. The feeling is historical rather than ideological. Most of Sweden's now very distant wars were fought against Russia. It can be easily dispelled by the adoption in Russia of that kind of "good neighbour policy" which has transformed the United States from a menace to the small states of Central America into their best friend. This, the Swedes maintain, is more likely to occur in Russia if there is a larger framework of friendship among all the Great Powers. They realise, too, how crucial to this is the question of greater Allied aid to Russia. The Swedes, from their neutral perch, are keen Second Frontiers.

Their apprehensions are not confined to Russia. If they fear too much intervention from the East, they fear too little from the West. Every indication that Britain and America intend to play a positive role in the post-war period is gratefully seized on. Few statements have aroused such discussion as Mr. Churchill's recent broadcast.

One can imagine that under a world organisation embodying or representing the United Nations, and some day all nations, there should come into being a Council of Europe and a Council of Asia . . . It would seem worthy of patient study that side by side with the Great Powers there should be a number of groupings of States and Confederations . . . the whole making a Council of great States or groups of States.

This is the first positive indication the Swedes have had of the direction in which official policy is developing in Britain. To some extent it fits in with their own way of thinking. In the last year interest in the possibility of forming a Scandinavian bloc or Nordic union of Sweden, Norway, Finland and Denmark has steadily increased. The newspapers have taken it up. Leading politicians such as Hr Undén support the idea. The Norden Society

has been expanded and the TUC, the Co-operative Union, the Employers' Federation and about twenty youth organisations are affiliated to it. As one newspaper put it, the desire for Nordic union has grown from the opinion of a limited intellectual group to a national feeling.

The form of union is still vague. Most people would define the union as meaning the amount of political, economic and diplomatic co-operation necessary to achieve military security. However, those who support it approach the policy from very different points of view. At one extreme are the isolationists. They argue that Sweden has nothing to hope from a wicked world of Great Powers. Whether it is bolshevik imperialism from Russia or capitalist imperialism from the Anglo-Saxon world, there will always be trouble so long as the Scandinavian countries insist on maintaining close relations with the outside world. Sweden's ability to remain neutral points the way, they maintain, for the future Nordic bloc. It must cut loose from all entanglements to east or west and set itself up as an independent neutral bloc, strongly armed and formidable enough to prevent any Great Power making "use" of its territory. There was at least a hint of this attitude behind the recent unofficial speech of Hr Sköld, the Minister for War.

It is not the majority view. Most Swedes regard their neutrality as a lucky chance, which may not be repeated. They want a Nordic Union, not in any isolationist sense, but as one of the integrated groups or regions out of which world order will be built up. They welcomed Mr Churchill's reference to regional Councils and hope with him that the Great Powers will build the larger framework within which the different blocs can work. Even if this framework is not fully achieved, they would still prefer close relations with the Western Powers to isolationism. On one point, however, they are in radical disagreement with British thinking. They will hear nothing of a European Council as an intermediary between their Nordic grouping and world order. The Swedes have little sense of Europe, and no sense at all of belonging to any kind of community, economic, political or cultural, with Eastern Europe or the Balkan States. They prefer the League of Nations organisation, supplemented by regional blocs where common interests exist, but not divided up into European or Asiatic Councils. The truth is that the Swedes are loth to take part in any grouping in which the Germans or the Russians might predominate. A world system would include the counterbalancing power of the British Empire and the United States. As for economics, they are more interested in South American than in Balkan markets.

To these projects of union and joint action there is, however, one very serious drawback. It is not certain that the other Scandinavian nations are as anxious as Sweden to link their fortunes together. Norway is emphatically against it, if it entails any weakening of its connections

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)

Branches and Agencies throughout Australia.
 Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 8,000 Agencies at Post Offices in Australia.

As at 30th June, 1942:—
 General Bank Balances ... \$181,729,589
 Savings Bank Balances ... 184,819,569
 Note Issue Department ... 111,959,542
 Rural Credits Department ... 2,421,174
 Other Items ... 20,380,871

\$481,101,745

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Cochin (S. India)	Madras (S. India)	Kisumu	Kenya Colony
Amritsar	Mandlay	Mombasa	British E.A.
Bombay	Nuwara	Nairobi	
Calcutta	Delhi	Nakuru	
Cawnpore	Kandy	Entebbe	
Chittagong	Karachi	Jinja	Uganda
	Lahore	Kampala	
	Zanzibar		
Dar-es-salaam	Mwanza	Tanganyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

THE ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with Limited Liability

Assets exceed \$1,000,000,000

LONDON:

Main London Branch: 6, Lothbury, E.C.2.

E. B. McInerney, Manager

West End Branch: 2-4, Cockspur Street, S.W.1.

C. H. Hunt, Manager

HEAD OFFICE: MONTREAL

Agency in New York



EQUITY & LAW
 LIFE ASSURANCE SOCIETY

Established 1844

PROTECTION IN WARTIME

● Civilian War Risk Cover without additional charge is normally granted under new Whole-Life and Endowment Assurances — whether With-Profit or Without-Profit.

● A Guaranteed Bonus each year until 1946 inclusive is provided under all new With-Profit Policies — thereafter Bonuses are dependent upon Profits.

Head Office: 163/4, STRAND, LONDON, W.C.2

(temporarily transferred from 20, Lincoln's Inn Fields)

Telephone: TEMple Bar 0381

with the Atlantic world and, in any case, is not prepared, after three years of suffering and struggle, to accept Swedish leadership, which it suspects to be part of the plan. An embitterment of the relations between Sweden and Norway is the price the Swedes are paying for neutrality and for the infringement of neutrality by the transit traffic. It is above all the realisation that Norway is hurt and estranged by the help Sweden is giving to Germany's occupying forces that lies behind the popular opposition in Sweden to the continuance of the transit traffic. It is the main issue today in public debate there. Extremists would like to make scapegoats of Hr Günther, the Foreign Minister, responsible for the transit arrangements, and Hr Westman, the Minister of Justice, responsible for press censorship on the subject. Moderate opinion maintains that, since the Government is collectively responsible, scapegoats are unnecessary. All that is needed is the rescinding of the concession to Germany. There is little doubt that the transit traffic will be stopped in the course of the next months.

This step will restore Sweden to full neutrality; but, in considering the post-war world, many Swedes are asking whether neutrality is enough. This does not mean armed intervention. Practically nobody in Sweden is ready for that. It should mean a very generous Swedish effort in the period of reconstruction. Some business circles are, it is true, reckoning on the immunity conferred by

neutrality to exploit a big competitive advantage in the shattered post-war world. Their plants are intact and expanded, their labour force disciplined and well fed, their contacts in enemy and allied territory excellent, their financial stability beyond dispute. More responsible citizens see, however, that if one thing were needed to crown Norway's bitterness and complete Nordic disunion, it would be the sight of Sweden using its million odd tons of merchant shipping and all its other economic advantages to put a rapid end to its wartime shortages and get ahead in a scramble for post-war markets. There are already proposals abroad in Sweden for the extension of lend-lease aid to the stricken nations of Europe, particularly to Norway and Finland. The weight of Allied opinion should, of course, do everything to encourage this trend of thought.

For the Swedes, this is a time of waiting. The shape of the future world is still too vague for them to fit their country into it with any degree of certainty. Their first task is to repair the damage done by their policy in Scandinavia itself. This is within their power, and can be accomplished speedily. For the rest, they are ready and anxious to be good citizens of the world, provided always the world is a place in which there can be good citizens. They will not shirk their duties and responsibilities, given a reasonable hope that other more powerful nations will not shirk theirs.

Budget White Paper—III

A Comparison with America

THE preceding article in this series showed how the economic cost of the war to the United Kingdom had been borne. The cost of the war in 1942, reckoned in pounds of 1938 purchasing power, was £2,700 million. Of this, £1,113 million was provided by increased total production, £627 million by reduced consumption, and £960 million out of capital—either by reduced provision for the maintenance and increase of domestic capital or by overseas disinvestment.

How does this experience compare with that of the United States? Figures are available for a fairly direct comparison—though it must be remembered that estimates of this sort are subject to a wide margin of error within each country, and to an even wider margin when international comparisons are made. The results, however, are interesting enough to justify a certain amount of statistical hazard. The British figures are derived from a comparison of 1942 with 1938. But, unfortunately, 1938 would be a very poor base year for an American comparison, for it was a year of sharp recession in trade. The year 1939 has therefore been taken as the peacetime base for America; it was about as "normal" as 1938 was for Britain. It should be remembered in consequence that the British comparison covers four years and the American only three.

The figures* are first given in terms of "pre-war" money—that is, 1938 pounds and 1939 dollars:—

	(£ mn.)		(\$ billion)	
	United Kingdom	United States	United Kingdom	United States
	1938	1942	1939	1942
Consumption.....	4,035	3,408	62.0	69.7
Government expenditure on goods and services	845	3,545	15.1	56.0
Maintenance and increase of capital.....	707	-253	11.0	7.5
Gross National Income at market prices.....	5,587	6,700	88.1	133.2

In this form, however, comparison is obstructed by the different size of the two countries and the different value of their currencies. Accordingly, in the next table, the figures are converted to percentages of each country's

pre-war Gross National Income—that is, the British figures are re-calculated as percentages of £5,587 million and the American as percentages of \$88.1 billion:—

	(Pre-War Gross National Income=100)			
	United Kingdom	United States	United Kingdom	United States
	1938	1942	1939	1942
Consumption.....	72.2	61.0	70.4	79.1
Government.....	15.1	63.5	17.1	63.6
Capital.....	12.7	-4.5	12.5	8.5

Gross National Income... 100.0 120.0 100.0 151.2

These figures, though expressed in percentages, are measures of real magnitudes. Thus the figure of 63.5 entered against Government expenditure in the United Kingdom in 1942 means that the British Government exercised command in that year over a quantum of goods and services equal to 63.5 per cent of the total output of the British community before the war. The conversion to pre-war prices of all the British estimates other than consumption rests on no more than a guess of the change in prices. It is possible that the British figures both for Government expenditure and for Gross National Income in 1942 should be higher.

From these figures, the cost of the war in each country, and the sources from which it has been derived, can be directly read off, still in terms of each country's pre-war output:—

	(Pre-War Gross National Income=100)			
	United Kingdom	United States	United Kingdom	United States
Cost of the war (increase in Government expenditure).....	48.4	46.5		
Derived from:—				
Increased production (increase in Gross National Income).....	20.0	51.2		
Reduced consumption.....	11.2	-8.7		
Reduced provision for capital or disinvestment.....	17.2	4.0		

Both the similarities and the differences between the experience of the two countries are interesting. Much the most striking comparison is the similarity between the cost of the war, relative to their pre-war output, in the two countries. The figures must not be driven too far, since the statistical framework on which they have been built up is rickety. But when all necessary allowances have been made on this account, it is still probable that each country has been able to mobilise for war a quantum

of physical resources equal to almost half its total pre-war output. This result may be surprising to many people in this country, where the impression prevails that the American war effort, though gigantic and rapidly increasing, is still substantially less, relatively to the country's resources, than that of Britain.

The origin of this impression emerges from the later figures. For there is a very natural tendency to judge the dimensions of a country's war effort, not by the magnitude of resources mobilised, but by the intensity of the sacrifices imposed. The British people, in the process of mobilisation, have reduced their consumption by an amount equal to 11½ per cent of the total pre-war output. The consumption of the American people in 1942 was actually larger than in 1939 though slightly less than in 1941. Britain has been compelled to under-maintain her domestic capital and to draw heavily on her overseas accumulations; America is still making a net addition—though a reduced one—to her capital.

The explanation lies in the very large and very remarkable growth in the output of the American economy—an increase of over 51 per cent in three years against the British increase of perhaps 20 per cent in four years. Part of the contrast is no doubt explained by America's freedom from the effects of blockade, black-out and bombardment—indeed, when these are borne in mind, it is the fact that there is any increase in British output, not that the increase falls short of America's, that is surprising. Nevertheless, the increased output of which the American economy has proved capable is astonishing. The unemployed margin of resources that existed in 1939—whether the unemployment was voluntary or compulsory—was evidently far larger than anybody suspected. It is not so many years since President Roosevelt's goal of a national income of \$100 billion seemed remote and visionary. In 1943, the Department of Commerce estimates that net national income at factor cost (assuming no further rise in prices) will be \$140 billion and gross national income at market price will be between \$175 and \$180 billion.

Spotlight on Poverty

TOWARDS the end of the fourth year of war it is difficult to remember that in the early months almost the whole war news, for this country, consisted of the trials and problems of evacuation. Yet, when the social history of the war comes to be written, it is probable that this great migration will form the most important subject, not so much because it is what the idealists call a social experiment—the mingling of rich and poor and town and country—but because it revealed to the whole people the black spots in its social life. Secrets, hitherto known only to a few doctors, health visitors and local authority officials, were without warning given the limelight of publicity when, in the early days of September, 1939, children and mothers from the poorest quarters of our towns descended upon the countryside. They came, they were seen—and they horrified.

The secrets cannot be covered up again—in spite of the events that have shaken the British public since then, in spite of the blitz which showed how the same quarters of the same towns could stand up to bombing, and in spite of the gradual straightening out of the evacuation difficulties themselves. It is written in the record that a section of the British people is degraded; and the only way to clear the record is to cure the degradation.

What were the chief charges brought against these evacuees? It was said of the children that they were completely lacking in any form of self-control—that they lied, swore and pilfered, that they were verminous, that they wetted and soiled their beds and even their clothes. It was said of the mothers that they explained the children—that they were indescribably dirty and had not even the most elementary idea of managing their homes and families.

These were grave charges to bring against even a small

These figures are, of course, inflated by the price rise that has already occurred. Reduced to terms of 1939 dollars, the figures would be about \$118 billion for the net and \$150 billion for the gross. The full meaning of these tremendous figures is very difficult to grasp. Indeed, it will not be fully apparent until after the war. If it is true that the war has led, in Britain, to a new conception of potential national productivity, then it is many times truer in America. The vision of material prosperity is the brighter—and the penalty falling on any political leader who fails to attain it will be the sharper.

* * *

A footnote is needed, by way of correction, to last week's article. It was there overlooked that the figures of domestic disinvestment given in the White Paper refer only to the operations of private finance. Any net investment or disinvestment at home by the Government is wrapped up in the figure of Government expenditure. (The figure for overseas disinvestment, however, includes both public and private operations.) This has considerable importance for the discussion in the last paragraph of last week's article on the capital impoverishment of the British community that will result from the war.

It is impossible to make any quantitative allowance for public domestic investment or disinvestment. There are entries on both sides; but it is reasonably certain that the net effect of Government activities is a net positive investment, or increase in capital, which may be large. This means that the net social disinvestment of the whole community during the war will be smaller than appears on the face of the figures quoted last week.

There is, of course, one intangible factor which cannot be measured. The capital that has been privately disinvested has all, or almost all, been useful capital adapted to the peace-time needs of the nation. It remains to be seen what permanent value can be derived from the capital that has been publicly invested during the war years.

section of the evacuees, and it is not surprising that for some time they were disbelieved or at least regarded as exaggerations. But if there are still some who refuse to accept them as true, a book has now been published* which must convince all except the stupidly prejudiced. It is the fruits of an investigation by a body of professional women, which was undertaken as a result of a resolution from the National Federation of Women's Institutes deploring the conditions disclosed by evacuation and asking for remedies. In this book the accusations brought against the evacuees have been carefully examined, and against a minority large enough not to be dismissed as negligible they have been found proven.

But the authors of *Our Towns* were not content to establish the facts. They also sought to find out why they have come about, why, in spite of the vast array of social services that exist in Great Britain, children are still able to be lousy, dirty, ill-fed and ill-clad. There is no single answer to their questions. But by their careful study of all the relevant factors the authors have collected enough material to provide a fairly complete picture of the family life of these evacuees.

In the great majority of cases, the father is an unskilled labourer whose wages, in peacetime, were probably not more than £3 a week. The mother has left school at 14 to become the poorest type of factory worker. By the time she marries, the little she learned in her elementary school of needlework and cooking has been forgotten. How to spend her money economically and how to bring up children she has not forgotten, because she has never known. These two parents, the unskilled father and the

* The American figures are mainly derived from an article entitled "National Income and National Product in 1942," by Milton Gilbert and George Joaz, in "Survey of Current Business," March, 1943.

* "Our Towns: A Close-up." By the Hygiene Committee of the Women's Group on Public Welfare. Oxford University Press. 143 pages. 5s. net.

feckless mother, then proceed to produce and rear a family. In most cases the father's wages are stationary, even if they do not fall or cease through unemployment. Each new child, consequently, depresses the family's standard of living further. They are unable, through poverty, to move into a bigger house, so child after child is born into an ever-increasing squalor. There are laws against overcrowding in this country. There are also laws about sanitation. Yet it was still possible in 1936 for an East End family to sleep five in a bed, for another to sleep seven in a room, and for another family of five to share one bedroom with six cats. The lavatory accommodation is as bad, if not worse. "Hundreds of thousands of families in all parts of the country," say the authors, "have not a private closet, and there are areas where it is the exception for a family to have one." In Clerkenwell, there are sometimes eight or more tenancies to one w.c.

There are still privy middens in towns, houses with cesspool sanitation, and others with closets across waste ground which women are afraid to cross alone at night.

The food and clothing of these families are on a par with their housing conditions.

The typical slum diet of our pre-war days, consisting largely of white bread, strong tea with plenty of sugar, pastry, bready pastes and sausages, cheap jam and margarine . . . may well be among the worst ever devised by mankind, so grossly lacking is it in protective elements.

But bad food is not always the result of poverty. Too frequently it merely reflects parental ignorance or indifference. One evacuee hostess received two children from a home where "a regular and substantial income" came in. The children

breakfasted on bread and butter and tea, got themselves fish and chips at mid-day . . . and had a third meal of bread with meat paste, cake and tea . . . which was the last in the day.

In the case of clothing, poverty is often exploited by the worst kinds of clothing clubs, which, in effect, become money-lenders of the poor, their sole object being, in the words of a caretaker of a block of working-class flats, "to get people into debt and then keep them in it. . ." The goods these "check-selling" firms provide are, according to the same source,

"tripe"—by this I mean shoes with compressed cardboard soles, cotton blankets, kiddies' blazer suits of very inferior flannel—in fact most "Tally" goods are very conspicuous by their poor quality.

Yet when, last year, the Board of Trade prohibited check traders from charging poundage on their checks, there were Members of Parliament who protested.

Badly fed, inadequately clothed and suffering from a persistent shortage of sleep, the children of these families can hardly help catching any illness that is going around. A comparison made in Newcastle-on-Tyne ten years ago disclosed that, among 124 children, under five, from the professional classes, there had been 2 cases of pneumonia, 1 of pleurisy, 2 of chronic and recurrent cough, and 6 of measles. Among 125 children of the same age from the poorest city streets, there had been 17 cases of pneumonia, 32 of chronic or recurrent bronchitis, 46 of measles, 6 of chronic diarrhoea, and frequent cases of abscesses, skin infections and otitis media.

But what most struck the hostesses of the children was their lousiness. *Our Towns* quotes a paper by Dr Mellanby on *The Incidence of Head Lice in England*, which shows that the preannounced inspections of school children reveals nothing of the true degree of infestation. His sample from hospital admissions in ten industrial cities showed an infestation rate of 30 per cent among boys of school age and 50 per cent among girls—the figures being three times as high as those given in the relevant school medical officers' reports. For both sexes under five the infestation rate was approaching 50 per cent. It is thus quite useless cleansing school children, who go home, nurse the baby and become infested again, unless measures are taken to cleanse the whole family at the same time.

It cannot be too strongly emphasised that the families of whom a close-up has thus been given are not representative of the British working classes. Others with meagre incomes manage to keep themselves and their children clean and comparatively well-fed and clothed. *Our Towns* quotes a moving account of her home life given by a Bermondsey housewife to *The New Survey of London Life and Labour*, which shows how life in a three-roomed flat with a family of three children can be run on £2 3s. a week. "I have been married 21 years," she says, "and I would not change with anyone . . ."

Poverty, in fact, is not always the determining factor whether a family falls below the standard, though in the great majority of cases the families examined were poor. Parental incompetence and indifference in the matter of food and clothing, and family upbringing as a whole, is not confined to the poor, though these better-off families generally lack the worst faults. Nor would the removal of poverty necessarily improve the homes of the "submerged tenth," within which are the problem families

always on the edge of pauperism and crime, riddled with mental and physical defects, in and out of the Courts for child neglect, a menace to the community, of which the gravity is out of all proportion to their numbers.

Give these families children's allowances, remove them to a new environment, the result will still be disheartening. Enuresis, for instance, is authoritatively held to be not a problem of bad housing, in spite of the bad sanitary accommodation that still exists. Except in psychological and medical cases, it is the product of a low social standard—the parents have simply not bothered to train their children.

Is there any solution to the problem of these problem families? And to the whole question of parental incompetence? The authors of *Our Towns* have no hesitation—it is education. The great drawback now is that the school medical services and the educational system as a whole get the child too late. But take the child at the age of two and, until the age of six, educate it in a nursery school, where the co-operation of the parents is wanted and encouraged, and you have "the best hope of influencing three generations—the child, its parents and its offspring." Many parents will be uneducable, and in these cases the authors state clearly that the doctrine of parental responsibility should never be upheld at the expense of the child. They deplore, rightly, the system that imprisons parents for child neglect and then hands the children back to them immediately on their release.

But nursery schools are not the only solution. The thorough reform of the whole of the educational system is urged. The authors remark pointedly that if there were a single system of primary education, to which the children of all social classes were equally sent, the conditions still allowed in many of the elementary schools would not be tolerated for a moment. Nothing short of the best for both buildings and staff should be the standard aimed at for the primary schools, but it will not be secured until it is compulsory for children of all classes to attend them. No less important is a change in curriculum. No longer should a girl leave school "the ignorant offspring of ignorant parents, with a child's mind in a woman's body, fit neither to be wife nor mother." And training in domestic subjects should form an important part of the curriculum of day continuation schools which should be made compulsory.

A great deal is being talked at present about reconstruction priorities. Housing, the health services, full employment, children's allowances—all these have a part to play, and a large part, in eradicating the black spots from British towns. But though they may remove the symptoms for a time, they will not finally cure the disease. Only education can do that. It will certainly take money; but there is no single object, bar none whatever, on which the State can better, or must more urgently, spend money. It will certainly take time; and it will not always succeed. But the attitude to adopt is not that it is only a chance; it is rather the only chance.

NOTES OF THE WEEK

Strained Alliance

The Polish-Soviet breach is obviously a triumph for Goebbels. The weakest spot in the Allied alliance has been probed and a breach created in the United Nations' front. Obviously, the Germans alone profit by the suspension of relations between the Polish and the Soviet Governments. The Polish Government has gained nothing by its incredibly foolish reaction to the German atrocity tales. In demanding a Red Cross inquiry on German-occupied territory, it gave the Soviet Government the handle it needed to raise in an acute form its differences with the Sikorski Government. Nor, on their long-term interests, have the Russians gained anything by precipitating the crisis and weakening the United Nations' front while the issue of the war is still in doubt. Yet it would put the crisis in a false perspective to suggest that it is primarily caused by German propaganda. Goebbels has exploited a weak and dangerous situation, but the weakness and the danger were there already. The immediate issue is not, of course, the Polish officers' graves at Katyn; it is the frontiers of Poland. The Russians claim the 1941 frontier now. The Poles maintain that, according to the agreement concluded between the Polish and Soviet Governments in 1941, the Russians renounced the settlement they had reached with the Germans—which gave them their 1941 frontier—and it was understood that the consideration of frontiers would be postponed until after the war. This ought not to be an absolutely irreconcilable conflict at this stage, for the Poles do not deny that frontier readjustments may be necessary. It is not unreasonable to ask the Soviet Government, in the interests of solidarity, to postpone a question which if brought up in its most acute form can only aggravate the dangerous situation which it has already caused. But here the United Nations must face the second and far more serious issue, a crisis of confidence between the Great Powers themselves. The course of the war so far has not removed the old deep-rooted almost pathological suspicion entertained by the Soviet Government of the outside world. This suspicion—that "capitalist, imperialist" Britain and the United States may still sell Russia down the river—lies behind Russia's disregard of the courtesies of alliance by its unyielding insistence on getting recognition for the 1941 frontiers now.

What can be done about this sombre situation? Clearly, it must not be allowed to develop. The Germans are pouring out over Europe the story that this breach means the betrayal of Europe by Britain to Russia. Can the Allied Government be absolutely certain that there will be no rallying to Germany in Eastern Europe as a result? Suppose the Russians were now to set up a Polish Government on Soviet soil—there is already talk of a separate Polish Army. It might then be possible for Hitler to find at long last some Poles ready to co-operate with him. Then Poland would be in the unhappy plight of possessing three Governments backed by different Powers—and it is hard to imagine anything more calculated than this to prise open the Grand Alliance. The Germans are already prating about a rift between "pro-Polish Washington" and "pro-Soviet London." It is no use burking these possibilities. They show the urgency of repairing the Allied line. There are two chief necessities. The first is, in the interests of solidarity; to persuade the Russians not indeed to abandon their claims, but to postpone their consideration until the war is won. The explanatory Polish Note may help here. But a bigger issue remains—the Second Front. The Russians are most likely to make concessions in the interests of solidarity if they believe that solidarity to exist. It is the task of Britain and the United States to convince them.

Slings and Arrows

Trouble still simmers in India. There seems no end to the incidents that a malign fate can produce to exacerbate the persistent unease. The Federal Court has declared Rule 26 of the Defence of India Rules invalid. It is under this Rule that Mr Gandhi and some 9,000 other disturbers of the peace are imprisoned. President Roosevelt's per-

sonal representative in India, Mr Phillips, has been forbidden to visit Mr Gandhi in prison. The Moslem League has met and repeated in the strongest terms its demand for partition, for the setting up of separate and independent Moslem states with self-rule. Nor have the incidents been confined to India. Across the Indian Ocean, both Houses of the South African Parliament have passed measures discriminating further against Indian property holding in Natal and Indian trading in the Transvaal, measures which have caused "profound regret and concern" to the Government of India, and widespread "offence and apprehension" among the Indian population. None of these incidents makes the existing unhappy situation definitely or unexpectedly worse. But, taken together, they render the prospects of an improvement, already remote, remoter. The action of the Federal Court in invalidating Rule 26 is, in a sense, cause for congratulation. It is a sign, albeit largely a formal one, that the present abnormal and unfortunate situation in India, with both the Central Government and the Provincial Governors in possession of large emergency powers of administration and justice, is still hedged by a rule of law. Already, it is true, an Ordinance has been promulgated to legalise the imprisonments. None will be released. This was inevitable. But the action of the Federal Court is a reminder to the makers of Defence Regulations, not only in India, but also in all British countries where the exigencies of war and emergency have required extraordinary powers, that equally extraordinary care is imperative to ensure that these powers are only used within the limits set by legislation. Powers of this kind are necessary. But, within the context of British principles of law, they are necessary evils at the best; and, within the framework of British political ideas, it is a truism that the abuse of such powers is inevitably corrupting. The punishments which have been inflicted under the emergency powers in India are hardly less unpleasant than the breaches of the peace that made them necessary.

The fact that Indian intransigence and dissension must bear the main responsibility for the present impasse only strengthens the responsibility of British administrators in India to do nothing to embitter relations still more and everything to prove that, under an even-handed justice, India's destiny is now in Indian hands. This is why the action of the Viceroy in refusing Mr Phillips' access to Mr Gandhi was almost certainly impolitic. Mr Phillips is returning to the United States with a much clearer idea of the difficulties of the situation in India than is common in that country: and an interview with Mr Gandhi might well have done good, in this respect at least. As a prisoner,



THE WESTMINSTER BANK

is represented by an extensive system of branch offices in England and Wales with agents elsewhere, and is amply equipped to conduct your private and commercial banking business. The Manager of any branch will gladly give an interview to discuss or explain any point which will help a client, or prospective client, to a full use of the services available to the Bank's customers.

WESTMINSTER BANK LIMITED

Head Office: 41 Lothbury, London, E.C.2

Mr Gandhi has doubtless no claim to visitors; but Mr Phillips was a very special case. And it remains a fact that, while Mr Gandhi is cut off from the outside world, even the very minute chance of Indian accord that remains is totally blocked. At the meeting of the Moslem League, Mr Jinnah made a formal appeal to Mr Gandhi to unite and drive the British out. But the burden of his fighting speech was that agreement between Hindus and Moslems is not possible; and he made no attempt to capitalise the disrepute by which Congress has fallen for its recent violence, by offering terms to the British. Nowhere in the main sectors of Indian politics are there any signs of a change of heart. The Viceroy is faced with the need to fill four vacancies on his Executive Council, three of them caused by resignations during Mr Gandhi's fast in prison. This seems a suitable moment to make plain the British position: to announce that both the present administration and the future constitution of India are the responsibility, not of the Britons, but of a completely Indian Council to which the adherence of all the Indian parties is still invited; while at the same time making it plain that neither the peace nor the war effort of India will be permitted to be upset by violence, intimidation or political blackmail.

The Machinery of Planning

The old confusion about what planning means persists. Members of Parliament are especially prone to it. In a debate on the adjournment on the eve of Easter, several speakers professed themselves puzzled as to the distinction between the Minister without Portfolio, who is concerned with the co-ordination of planning projects, and the new Minister of Town and Country Planning who is, of course, concerned solely with the planning of land use. Sir William Jowitt's answer was important, not only because it cleared up yet again this wearisome confusion, but also because it outlined the procedure by which reconstruction policy is discussed and made in the War Cabinet. At the base of the pyramid are the departments—the Ministry of Town and Country Planning concerned with land use; the Ministry of Labour concerned with unemployment insurance and, to a point, with demobilisation; the Ministry of Health concerned with sickness insurance and the medical services; the Home Office concerned with workmen's compensation; the Ministry of Pensions concerned with war pensions and the rehabilitation of war casualties; and so on. At the next highest level, there are two sub-committees of the War Cabinet. One is Sir William Jowitt's Committee of Ministers to which the plans and projects of the departments come for co-ordination. The other is a special Ministerial Committee set up, with the expert assistance of a specially selected staff, to consider and co-ordinate departmental plans for the implementation of various details of the Beveridge Report. Higher still, there is the Cabinet Committee which sits under the Lord President of the Council, and is concerned with major matters of home policy. This is the key body at the Cabinet level. To it, presumably, progress reports and final proposals come from the Jowitt and "Beveridge" Committees. The pyramid is not, of course, complete. There are some topics, like civil aviation and children's allowances, which have no particular departmental habitation; there are others, like demobilisation, which concern too many departments for a single Minister to be their first parent. In these cases, it seems, the Minister without Portfolio has a special responsibility. Otherwise, he is, as one member put it, merely a "filter," a subordinate officer whose functions are largely secretarial and, on occasion, advisory, rather than the Minister of Planning that he is sometimes taken to be. If there is a Minister of Planning, in the sense of one with a final responsibility for the reconstruction projects upon which the Cabinet must pass, he is the Lord President of the Council, Sir John Anderson.

Proof of Preparedness

So far, it would seem, so good. The scenery is in place. The stage is set for the drama of reconstruction. But Parliament and the public are far more concerned with the piece to be played than with its apparatus. They look for results, for proof of work in progress and decisions made. It seems probable now that the novel central principle of the Beveridge Report, the abolition of want by the securing of a minimum subsistence income to all individuals and families in whatever contingencies may arise,

has been rejected by the Government. This does not mean that the Report has been wholly frustrated. In general terms, the Government has accepted many of the detailed items proposed in the Report—the reform of health insurance and of workmen's compensation, the institution of children's allowances and the effective socialisation of the country's resources of medical skill. The need for none of these reforms was first stated by the Beveridge Report, and to accept them is not to accept the Report. But they are vastly important. The necessity for the reform of health insurance, medical treatment, burial benefit and workmen's compensation has been common knowledge for at least a generation; it has been stated by a long series of expert and official bodies and emphasised by unofficial experts. A great danger is that concentration on the larger aims of the Beveridge Report—which it will be, admittedly, a grievous failure to set aside—should cause incidentally a further delay in the redress of these familiar grievances. What is needed to re-assure public opinion, whose uneasiness in these matters was registered at Easter by resolutions in favour of the Beveridge Report from a multitude of conferring bodies, is progress reports and specific proposals, not simply within the hierarchy of departmental and Cabinet organisation, but to Parliament, in the shape of definite legislation. The excuse that the Beveridge Report came out only last December is disingenuous and invalid. The needs and the facts were known, in most of these instances, decades before Sir William Beveridge set to work. Moreover, there are other topics still, so far as is known, not definitely allocated to departments or committees—the crucial question of full employment, for instance, which requires a Royal Commission, and the pressing need for a new kind of Civil Service, skilled and experienced in matters of industry and trade. Sir William Jowitt described the preparations that are being made. Now it is proofs of preparedness that are looked for.

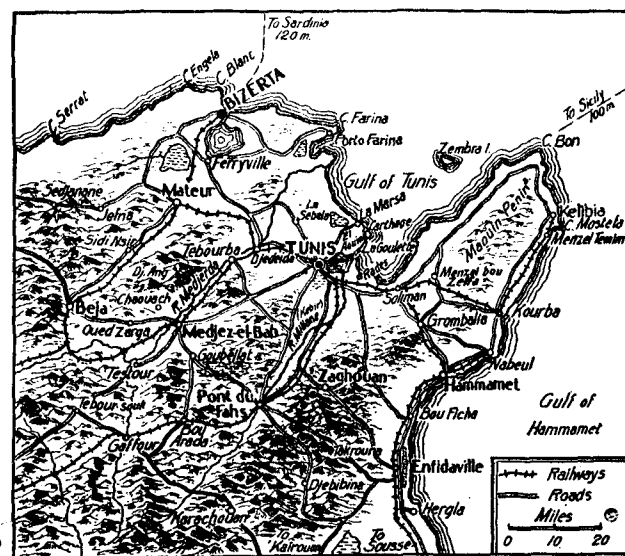
Scene Shifting

Under the new Bill presented by the Minister of Town and Country Planning, the half of the nation's land that is not already covered by plans or resolutions under the existing Town and Country Planning Acts will be deemed to be so subject. The measure is designed to implement the recommendation of the Uthwatt Committee that no building or development should be permitted which is likely to be prejudicial to the programme of reconstruction that has still to be worked out. It is a minor measure. Of the other half of the nation's land which is already covered by plans or planning resolutions, only a minute fraction—about 3 per cent of the total land area—is under effective planning control. The reason is that the procedure under the existing Planning Acts is all but prohibitive, administratively and financially. The purpose of the final Uthwatt Report was to break this deadlock by providing a solution to the problem of compensation for values disturbed by planning. Until its recommendations, or others designed to achieve the same result, are adopted as official policy, the planning of land use will remain a paper aspiration. The plea that the Uthwatt proposals are too technical and too controversial to be adopted is irrelevant. The obstacle presented by the difficulty of compensation is a fact that cannot be set aside or shelved. Either these proposals or some substitute must be adopted or else all the talk about a better-built and better-developed Britain will signify practically nothing at all.

The Tunisian Scene

Progress in Tunisia since the capture of Enfidaville has been painfully slow, but sure. During the past fortnight, the centres of fighting have shifted from the coastal hills north of Enfidaville, where the Eighth Army was temporarily halted, to the western and southern sectors of the front; and the battle for the outer defences of the Axis bridgeheads seems to be nearing a favourable conclusion. The Americans in the north have made some advance towards Mateur. The First Army has forced the obstacles of Djebel Tanngouche, "Long Stop Hill" and Heidous; it now faces the communication centre of Tebourba, the more or less imminent capture of which should open the road to Tunis, across open country. The French, too, have gained some ground in front of Pont du Fahs. If the reports about an early resumption of the

offensive by the Eighth Army are true, Tunis should find itself threatened by a series of concerted blows from several directions. So far, however, there seems to be little reason for exaggerated hopes about the tempo of the campaign as a whole. The enemy has been using every opportunity afforded him by the lie of the land with the utmost skill; and the Allies have so far not been able to prevent him



from delaying the advance from behind successive defence points. Of the two bridgeheads, which von Arnim has to defend, Tunis is the weaker and the less vital. Bizerta will be a much harder nut to crack, though the fighting for it may serve the Allied forces well as valuable training in the technique of reducing fortresses that will be needed at a later stage of the war.

Seeking a Formula

More than four months after the death of Admiral Darlan, the Giraud-de Gaulle negotiations drag on. General Carroux and General Giraud are now at work in Algiers on the latest memorandum of the French National Committee. But time, events and French sentiment are running ahead of the negotiations. The three *conseils-généraux* of Algeria are said to have acclaimed both Generals when they met a few days ago. As the hope of victory draws nearer, the outstanding differences between Algiers and London seem ever less important. The joint approach to the League of Nations, which General de Gaulle and General Giraud made on April 16th, repudiating the Vichy withdrawal, was a statesmanlike move in tune with the mood of the moment. But for all the popular impatience, there is nothing to be gained by burking the difficult points at issue. When, as the Fighting French Note makes plain, so much is common territory, the grounds for disagreement are better thrashed out than smothered. Reunion, when it takes place, must be enduring. The Fighting French Note selects six specific points for further discussion. None of these is negligible; some indeed are crucial. Briefly, they amount to the request that elimination of the Vichy régime, including the continued existence of the *Légion des Combattants*, shall be complete; that, in the phase of liberation, the authority of the police and departments shall devolve from the civil and not the military authority; that the provisional central authority must represent the entire nation and not the local administrative officers which it should control; that the military high command must be subordinate to the provisional civil authority; that there should be a legal council with power to declare acts of the executive *ultra vires*, and lastly and sixthly that the provisional central authority should comprise the normal and essential ministerial offices. General de Gaulle wishes the new provisional Government to have the status of an Allied Power. These counter-proposals of the French National Committee are still under discussion. There has been an attempt to represent them as an effort to bar the upsurge of Napoleonic militarism. It is more reasonable to regard them as an idealistic, though not by any means disinterested, counterpart to General Giraud's excessively realist memorandum. The assimilation of the two views will require an appreciation both of the limits

of practical policy in London and the value of the separation of functions in Algiers. But this should not be impossible; Montesquieu was a Frenchman.

Falling Between Two Stools

According to all the reports, Finland has lost the last chance, if there was a chance, of concluding a separate peace with Moscow. It is commonly believed that, in the last few weeks, peace feelers between Helsinki and Washington were put out. It may be no more than a coincidence that almost the entire staff of the American legation at Helsinki moved to Stockholm just after the Finnish Foreign Minister, M. Ramsay, had paid a somewhat secretive visit to Ribbentrop. But in Finland at least there is more than a tendency to take the gloomy view: to conclude that long-suffering sympathy in Washington is, to put it mildly, on the wane. Certainly, so far, diplomatic relations have not been broken off. Nor has President Roosevelt listened to the suggestion of the National Committee of Finnish-American trade unionists that war should be declared. But there is an impression abroad that Finnish-American relations are less cordial; there is also a certainty that Finland's Foreign Minister has received a dressing-down from Ribbentrop—so receiving the worst of both worlds. As Finnish diplomatic writers constantly point out, foreign policy in Helsinki is determined by two factors: enmity to Russia and friendship for the United States. Of the two, the former is the more potent influence, but the latter weighs heavily, representing the sole hope of reinsurance, of special treatment and ultimate preservation. To-day, the Germans play with special insistence upon the "Red terror" theme and they appear to have prevented Finnish defection. If so, the failure of Finnish policy will be complete; the nation will lack good will whichever side wins. It will have forfeited the comradeship in arms with Nazi Germany without gaining the benefits of American advocacy.

Back from the Wars

Mr Quintin Hogg entered a plea last week in the Commons for the early demobilisation after the war of the troops who are on active service in distant regions. He spoke specifically on behalf of the Eighth Army. In reply, Sir William Jowitt revealed the principle upon which the Government proposes to arrange demobilisation. Men will be released according to their age and length of service; but special provision will be made for the release of skilled workers whose services will be urgently needed in the immediate post-war period. Rightly, the Minister without Portfolio said that the scheme, to work, must be one

ORDINARY FIRE DAMAGE ONE-THIRD GREATER THAN PRE-WAR

Serious Handicap to War Effort

SINCE the war, loss to the nation through ordinary fires has gone up by one-third. Last year, well over 1,000 fires broke out in Britain every day.

This figure represents a serious handicap to the war effort. More serious still is the diversion of manpower, of raw material and of shipping required to repair the loss.

Who is responsible for this needless destruction, and why cannot precautions be taken, in the national interest, to stop it? Here is the answer:

Most fires are caused by some simple act of carelessness by a normal person who thinks that he (or she) is careful.

It is estimated that nearly 50% of the fires are caused by matches and cigarette ends.

Every reader of this paper is asked to help to reduce this terrible national loss from fire. Smokers are



specially appealed to. Remember, that it's "careful" people who start fires—and that means you! Be more than careful, be sure. Be absolutely certain that your match is quite out before you throw it away. Never leave a cigarette end burning even in an ashtray. Stub it out.

Most fires are caused by 'careful' people
Don't just be careful—take EXTRA care

which "the men themselves think fair." There is an almost insoluble dilemma in this matter. Scientifically and economically, it would be correct to release first the key workers who, in many instances, were called up last. Socially and humanely, this would be gross injustice. Up to a point, it was attempted at the end of the last war, and broke down because of the rooted and very natural conviction of the troops that those who had served longest and had the greatest responsibilities at home should be released first. This time, it seems, the attempt is to be made to hold the balance even between justice and expediency. There will be special difficulties. When the war with Germany is over, war in the East may continue. There will probably be a need for large occupying forces in foreign countries, and equally, there will be a need for larger standing forces than were maintained in the inter-war period. All these considerations suggest that, even after the war is finished, which is still a very long time distant, many men will be faced with a further extended period of service. It is enormously important that these issues should be frankly discussed and plainly decided, and that every one of the men concerned should be made fully aware, before the moment comes, of the national and international needs which may require, perhaps against the ordinary dictates of fair play, either the release of this or that man sooner than may seem just or the retention of this or that man longer than seems equitable.

Payment of Fire Guards

The Select Committee on National Expenditure, in its sixth report of the session, has revealed the extraordinary position that exists with regard to the payment of fire guards. Briefly, what has happened is this. An Order of September, 1940, made it compulsory for employers to protect their premises from fire, but placed no obligation on employees to do turns of duty. Employers were consequently compelled to employ voluntary fire watchers and to offer them varying rates of pay to do so. Then came the Order of January, 1941, which made it obligatory on employees to do fire prevention duty, but stated that no person should be entitled to any remuneration for such duty. Difficulties thereupon arose about the payment of subsistence allowances, and employers were later told by the Ministry of Home Security that they should supply their fire guards with food or with allowances in lieu. Negotiations were then started with employers and trade unions to put the Order on a proper footing, and it became clear that the Government would have to authorise subsistence allowances and also to bear the cost. These were proposed at the standard rate for all part-time civil defence duties—beginning at 3s. for a period not exceeding 12 hours. The trade unions, however, said that this was inadequate and also pointed out that it conflicted with the arrangements already in force. It was finally agreed that arrangements made before September 12, 1941, should stand, but in other cases the new rate should be accepted and the Exchequer would bear the cost. The employers are also allowed to rank their payments made under the old arrangements as deductible expenses for tax purposes. Thus, not only is there considerable unrest because excess rates are paid for the same duties in some premises and not in others and sometimes in the same premises—with a considerable detraction from the efficiency of the Fire Guard as a result—but the Exchequer has, indirectly, to bear the whole cost of the excess rates where the firm concerned is liable to EPT, and half where it is liable to income tax only. Nor is that all. The Select Committee has found no estimate of the cost involved for the Exchequer by the universal payment of the standard rate or of the additional indirect cost of the excess payments.

No record of cost is kept by the Departments who are responsible for approving the various schemes. No statistics are available even at the Board of Inland Revenue.

War Pensions Tribunals

The Minister of Pensions announced in the House of Commons last week that legislation will be introduced at an early date for the establishment of tribunals to hear war pensions appeals. To begin with, there will be nine to cover the whole country, but more will be set up as personnel becomes available. In order that their indepen-

dence of the Ministry of Pensions may be assured, the members of the tribunals in England and Wales will be appointed by the Lord Chancellor, in Scotland by the Lord President of the Court of Sessions and in Northern Ireland by the Home Secretary. Each tribunal will consist of a lawyer as chairman and a doctor. The third member will be co-opted in accordance with the case to be heard. If it is a soldier, the third member will be an ex-soldier; if it is a WAAF case, the third member will be a WAAF; if it is a civil defence volunteer, he or she will be a member of the civil defence services; and so on. The tribunals will have a full history of each case, with copies of the medical reports, and a statement by the Ministry of Pensions on why the claim has been disallowed. It will be interesting to see in how many cases the Ministry's decision will be reversed. The tribunals will not be able to alter the terms of the Royal Warrant which lays down that a pension is granted if the disability is attributable to military service and defines attributable disability as being:—

- (a) directly attributable to military service . . . or
- (b) due to a wound, injury, or disease which
 - (i) arose during war service or existed before such service, and
 - (ii) was aggravated by war service to a material extent and remains aggravated thereby.

All they can do is to decide whether the history of the case provides evidence "good and sufficient that the disability was in fact attributable to war service." Since, in the cases of disease—which will probably form a large part of the appeals—the Ministry has already had the benefit of specialist advice in coming to its decision, the tribunals, whose medical members will not necessarily be specialists, will hardly be better qualified to judge. Question time for Sir Walter Womersley is not likely to be shortened by the new procedure, though his responsibility will be lessened.

Labour and the Communists

One of the most controversial and bitterly debated topics at Labour's Whitsun Conference will be the question of Communist affiliation. The Communists have worked tirelessly and have enlisted considerable support. According to their latest report, 2,631 Labour organisations have voted for affiliation, including 10 national trade unions, 156 trade union district committees, over 2,000 individual branches and 178 labour party organisations. Their trump cards are the Amalgamated Engineering Union and the Miners' Federation, who together cast a powerful vote at the Labour Conference; they have also got the backing of the Locomotive Engineers and Firemen's Union, and, judged by the Easter voting, of the Shop Assistants and Clerks. But so far, it seems, the balance is against them. The two big general workers' unions—Transport and General, and General and Municipal—the National Union of Railwaymen and the distributive workers are among those who will oppose affiliation. The Communists argue the need for a united labour movement in order to win the war and prepare for the peace. They say that it is illogical that Labour should co-operate with Conservatives and with Russian Communists, though not with British Communists; and that their members, though small in number compared with the Labour party, are increasing—they claim an increase from 12,500 in 1937 to 64,000 to-day—and are zealous workers who would strengthen the Labour party, whose constitution they would be pledged to observe. Against them, the Labour party invokes the past record of the Communist Party, its disruptive activities and tortuous line, and holds that allegiance to the Comintern would militate against loyalty to the Labour party. At Whitsun, the Labour party itself will decide the issue. If the demand is quashed, the Communists will have to try again; if it is carried, which at the moment seems even more unlikely than the abrogation of the electoral truce, itself improbable by present signs, the Labour leaders will have to take consolation in the thought that they can always threaten disaffiliation.

Economy

Mr Greenwood's description of pounds, shillings and pence as meaningless symbols has been made famous by Mr Churchill's broadcast dissent. There are others who disagree with Mr Greenwood. Mr Francis Hirst, Chairman

of the Public Economy League, has published an appeal which he addressed to the Chancellor of the Exchequer on the eve of the Budget. His plea is for the reduction of "public waste." It is true that what matters in wartime is not money but men and machines and materials, and it is the waste of these, by public departments or by private citizens, which is directly harmful to the war economy. Nevertheless, Mr Hirst is right, psychologically and economically, when he contends that it would be anomalous to press taxation and voluntary savings to the limit while at the same time leaving the public spending of moneys so raised under less responsible control. Public economy, writes Mr Hirst, is "a means of arresting the growth of inflation and reducing the dangerous gap between tax revenue plus real savings and expenditure." The problem of inflation arises in wartime from the co-existence of increased purchasing power and a limited stock of goods and services for sale. The chief creator of these incomes in wartime is the state by its purchases of the materials and the equipment of war. The direct restraint of private incomes by any means other than taxation, as Mr Hirst points out, is peculiarly difficult in a democracy. It is all the more important, therefore, as the Chancellor of the Exchequer himself said in his Budget speech, "to see that all this tremendous sum is well spent by the state." Mr Hirst's plea is timely. The tendency to ignore the virtues of public economy in money terms when the necessary total of public expenditure is so vast as it now is should be resisted. Money is no more than an instrument, in peace or war. No nation lost a war for lack of money or won it by its abundance. But prodigal expenditure can be as damaging socially as inefficient production can be militarily. Mr Hirst and his friends over-estimate the extent to which the tremendous expenditure entailed in total war is due to wasteful spending. In magnitude, it is

a minor contributor. But in so far as it does contribute to the disparity between spending power and consumable goods, it is to be deprecated and destroyed.

Clear the Air

Hitherto the Lords have been the more active in giving the question of civil aviation a Parliamentary hearing. Now a motion has been tabled in the Commons, in the names of sixty Members, mostly Conservative, asking that civil aviation, "in view of its paramount importance for post-war trade and empire communications," should be divorced from Air Ministry control, and transferred to a separate, civil Ministry. Neither the creation of an Air Transport Command, nor the assurance that the Government is alive to the importance of civil aviation after the war, is sufficient evidence that a bold and constructive policy is in fact being matured. The position of the British Overseas Airways Corporation has still to be cleared up, and the confusion has been aggravated by recent correspondence in *The Times*. A letter from the late members of the Corporation, complaining of the unsatisfactory status and procedure under which they had worked, and would continue to work in the new arrangement, seemed to confirm the suspicion that more lay behind their resignations than met the eye. At least the gist of the story should be made known. In the meantime, the Government could do much towards a solution by appointing a permanent chairman. It may be difficult to find someone who is universally acceptable, but civil aviation, more than anything else, offers scope to men of energy and vision. The issue is too pressing for it to be allowed to drift, and too big for decisions to be impeded by sectional interests and intrigue. Until the domestic skies are cleared, it will be difficult to tackle the problem on the international basis that is essential for any long-term solution.

AMERICAN SURVEY

Prospects for Trade Agreements

(From Our Washington Correspondent)

April 6th

ON June 12, 1943, the authority of the President of the United States to enter into reciprocal trade agreements with foreign countries will terminate unless extended by Congress. The decision will be regarded by peoples throughout the world as an acid test of America's future intentions. If the Act is not renewed, this will be discouraging evidence that the people of the United States, by their actions though not by intention, "will once more turn back to that road of isolation which leads to inevitable disaster." If the Act is renewed without being amended importantly, this will be a heartening but far from conclusive indication that they "have determined upon a policy of international co-operation for the future." Amendments as to time or as to the President's discretion would make renewal less heartening and more inconclusive.

The most probable outcome is renewal for three years. The next probable is renewal for one year. The least probable is failure to renew. The least desirable, it can be argued, is renewal "for the duration of the war against Germany, plus six months." The history, economics and politics of the matter conspire to make this, not a clash of real immediate interests, not a partisan affair, but an almost pure issue of attitude.

Introduction of the reciprocal trade programme was the most significant effort of the United States in the 1930's to adapt itself to its role as the ranking economic, industrial and financial nation in the world. When it was first adopted, in June, 1934, it had two meanings which are still valid today. It was an attempt to reverse American leadership from trade war to commercial peace. It was the aspect of the New Deal which looked toward a world economy, in contradiction to other aspects, such as the AAA and the NRA, which tended toward economic nationalism.

In 1937 the Act was renewed (to quote Representative Doughton) "squarely on the basis of its achievements and

the clear necessity of continuing a procedure which had demonstrated its ability to reach the problem." The achievements and necessity were interpreted almost entirely in immediate domestic terms. By 1940, when the Act was renewed for another three-year period, the situation had changed. President Roosevelt at that time argued that the Act served the interests of the United States even during war, and concluded, "But what is more important (it) should be extended as an indispensable part of the foundation of a stable and durable peace."

It is probably correct to say that, if at the present time no reciprocal trade pacts existed, the exports and imports of the United States would be substantially the same as they are now, and for the same reasons—this despite the fact that since Pearl Harbour the United States has negotiated four pacts, and is in the process of negotiating three others. This means that the real or apparent conflicts of interests with foreign producers, which in the past have led some groups—particularly farm groups—to oppose the reciprocal trade programme, have been lifted by the war.

Indeed, the whole situation has completely reversed itself. In 1934, 1937, and even in 1940, commodities were plentiful. Now things are scarce, and the United States wants more of them. Take one specific example. Canada has several million bushels of feed which it cannot use in its economy this year; the United States needs more feed. The very section of the country which is usually high tariff-minded would like to find transportation to bring in more Canadian supplies. As shortages grow, Americans should increasingly sense the absurdity of denying themselves what other peoples have. What opposition to reciprocal trade pacts is left in the United States is based on attitude and not on interest. It is like the grin remaining after the fading of the Cheshire cat.

Against this fantasy stands one gigantic immediate reality—the coalition war. Can the American people evaluate the importance of assuring the United Nations that they

intend to use their economic power for the good of the whole? The problem can be put like this: in our common war the pooling of effort and materials is multilateral, but the obligations are bilateral between the United States and each of the others. How is reckoning to be made and used? Article VII of the Lend-Lease master agreement provides that the conditions of the settlement "shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them, and the betterment of world-wide economic relations." Clearly, the implementation to Article VII will require both negative and positive actions—to remove obstacles to freer trade, and to co-ordinate national economic policies. If the Reciprocal Trade Act is renewed, this will not by any means signify that the American people have thought through the problems of harmonising various national policies, and perhaps directing them by international machinery. But if the Act is not renewed, this will be inescapable evidence that so far they do not even recognise the necessity of removing obstacles to freer trade.

An Index of Policy

The reciprocal trade programme has tended to be a partisan issue. It was the sharpest break by a Democratic administration with the Republican trade policies of the 1920's and early 30's. Only two Republicans in the House and only five in the Senate voted for the Act in its original passage. On one renewal the Republicans in the House, and on another renewal the Republicans in the Senate, were unanimously opposed. Now for the first time the Republicans are near enough to a majority to make their position controlling.

At first, there were signs that the Republicans would set about to repudiate the reciprocal trade programme. But two things are happening. In the first place, those who are trying to lead the party in the direction of world co-operation are lining solidly behind the programme. Wendell Willkie, Governor Stassen and Senator Ball, of Minnesota, are only the most prominent. In the second place, many congressional leaders who were isolationists, or opposed to the reciprocal trade programme, have revealed that either they are shifting ground or they are unsure of the wisdom of voting against the programme. Because of this shift, a counting of noses on who voted what in the past probably is not dependable. Many southern Democrats who ally themselves with Republicans against the Administration on some issues, will stand staunch on this because of the south's traditional approval of international trade, and because of the character of Secretary Hull. Behind Congress, some influential private groups are giving approval to the programme—for example, the United States Chamber of Commerce, the National Association of Manufacturers, the League of Women Voters, and the Farmers' Union. The automobile manufacturers' association is the most active. No important social group has come out against renewal. However, an academic air surrounds the matter. Labour groups ignore it; and the most powerful agricultural organisation, the American Farm Bureau Federation, which approved renewal in 1940, might drive a hard bargain with the administration, balancing approval of the pacts against concessions on agricultural prices.

The whole current is towards making the issue non-partisan, and a clear index of American policy in the post-war period. It is expected that the President, who has retreated on a number of issues recently, and who is proceeding cautiously in announcing plans for the peace, will, if he feels it necessary, appeal to the people on this basic one. The opponents of the measure are likely to base their objections, not on the merits of freer trade, but on the propriety of delegating this authority to the president. Such an issue was unimportant in 1934, more important in 1937, grave in 1940 (when President Roosevelt carefully defended the constitutionality of the delegation), and crucial in 1943. As in most instances in American politics, the issue in this case is a smokescreen. The President's authority has good precedent; it is carefully hedged in; and it has been used with extraordinary skill. The conduct of trade relations in the future is certain to require more, not less, expertness and executive direction. The alternative is a throwback to the log-rolling procedure of building tariffs.

American Notes

Reciprocal Trade

The Bill renewing the Reciprocal Trade Treaties Act has successfully passed its first hurdle. The House Ways and Means Committee has, by a vote of 14 to 11, agreed to recommend extension without any material changes. Presumably, when the Bill reaches the floor of the House next week, the Republicans will make another attempt to write into it the series of amendments which were all turned down by the Committee. These include a veto power for Congress over all agreements; the establishment of an American cost of production below which foreign goods could not enter the American market; the limitation of the extension of the Act to two years instead of three; and a provision giving American producers the right to test provisions of agreements in the courts. The Republicans cannot be accused of a lack of imagination or ingenuity in devising a series of methods by which all meaning could be sucked from the reciprocal trade treaty programme while still giving lip-service to its intentions. The Committee vote was close, as had been expected, and the vote in the House and Senate will probably be close, too. But it looks as though that "clear-cut continuance" for which the Administration is fighting may just scrape through.

The Lewis Challenge

The labour outlook has grown very critical. Hopes for the successful conciliation of the coal strike have had to be abandoned; the case was then certified to the War Labour Board; now it has been passed to the President for action. Mr John L. Lewis has adopted a policy of defiance. He failed to nominate a labour representative to the Board's fact-finding panel which was to hold hearings on the dispute. Last week, when he and other mine leaders were due to confer with the Board, they ostentatiously remained in New York, refusing to recognise the Board's jurisdiction, and stimulating the drift of workers

from the mines by statements that the Northern operators had discontinued negotiations. Mr Lewis decided to call nearly half a million miners out on strike which would compel the country's steel mills to close in a few weeks. The Administration cannot find much comfort in the attitude of the other union groups. The American Federation of Labour has denounced the "job-freeze" as likely to impair morale and lower efficiency. Mr Murray, of the Congress of Industrial Organisations, has made much in recent weeks of what he calls the "overproduction" of munitions in relation to available shipping capacity. The crux of the labour crisis is, however, the Lewis revolt, which has now become a major threat to the war effort. A member of the War Labour Board said recently that, if its jurisdiction was ever successfully defied, either by a union or an employer, its usefulness would be over. Mr Lewis has the wrecking of one Labour Board behind him; it is obvious that he has determined to do his utmost to destroy the present Board and its "little steel" formula for wage stabilisation. The issue is more than one of coal production or coal wages, important though they are. It is more than a question of price and wage stability. If the Administration is unable to show Congress that it is able to master the Lewis threat, the sheaf of anti-labour and anti-union Bills on Congressional desks will find new life. Meanwhile, war production has suddenly been put in danger. The last court of appeal remains. The President has a heavy responsibility before him.

The Monetary Bill

The House of Representatives has improved on the rebuff to the Presidential monetary powers administered when the Monetary Bill was before the Senate. Not only was the Senate's refusal to continue the powers of currency devaluation upheld by the House of Representatives, but the latter body inserted a special amendment in the Bill forbidding the use of gold in the Stabilisation Fund as a US contribution to the establishment of any international bank. Subject to this amendment, which was returned to the Senate for its approval, the \$2,000 million Stabilisation Fund has been extended for a further period of two years. The chairman of the Coinage Committee of the House went out of his way to assert that the amendment in ques-

tion was not to be regarded as a criticism of the proposal for US participation in international currency schemes, but that any such proposal would require separate legislation. The move is, therefore, another piece of evidence of the jealousy with which Congress is safeguarding its powers against those of the executive. Meanwhile the Washington conversations on the US Treasury's international currency plans have begun. They are to be a series of bilateral meetings between the representatives of the US and of each of the United Nations, designed, according to Mr. Morgenthau's letter of invitation, "to find a sufficient area of agreement to warrant proceeding on a more formal basis." The US Treasury plan has now been printed by the Stationery Office in this country under the title "United States Proposals for a United and Associated Nations' Stabilisation Fund."

Seeing Stars

The world may chuckle, but Colonel McCormick is said to take his brand of Federal Union grimly. His modest proposal to incorporate Canada, Australia, New Zealand, England, Scotland and Wales in the United States was not a one-edition squib. It is apparently a comic strip that is going to run as interminably as little Annie Rooney in the pages of the *Chicago Tribune*. But Colonel McCormick is not a conscious American humorist in the Artemus Ward tradition. He has a religious reverence for his own stunts, and indeed this latest caper has its serious side. It arises from the Colonel's uneasiness at the progress which ideas of international collaboration are making in the United States. On this account it is cause for rejoicing. And there is a grain of truth in the *Tribune's* argument that, given the American Constitution, effective participation in world affairs is only possible if other countries join the United States. Colonel McCormick would hardly have proposed adding five more stars to Old Glory if he were not agitated by the headway made by such diverse champions of world organisation as Mr Willkie, Governor Stassen and Senator Ball—not to mention the President and Mr Hull. Hypocrisy may be the tribute which vice pays to virtue, but it is only exacted when virtue looks like being triumphant. Back in 1920, the Colonel only wanted to swallow Canada. We are getting on.

THE WORLD OVERSEAS

Canada in the Air

(From Our Ottawa Correspondent)

March 29th

THE global extension of air transport is followed with intense interest in Canada, where the value of possessing feasible and economic air routes in inter-continental transport is widely recognised. The discussions on "freedom of the air" reported in the United States and in Britain attract attention in Ottawa, for, in the coming era of world air transport, it is obvious that companies enjoying operating rights on Canadian routes will possess prizes of strategic value. Canada's position is rivalled only by that of Russia.

A recent statement by H. J. Symington, K.C., president of Trans-Canada Air Lines, that the company is considering oceanic and international flying and has assigned three flight crews to British Overseas Airways Corporation for trans-Atlantic experience, disclosed that an all-Canadian Atlantic air service is planned. An agreement in 1935 between the United Kingdom, Canada, Ireland and Newfoundland provided for a joint Atlantic service by a company in which Imperial Airways would hold 51 per cent of the stock and Canada and Ireland 24 per cent each. This company was not set up, and it is now obvious that Canada will seek something broader in North Atlantic flying rights.

The inter-locking of civil aviation in Canada and the United States has developed steadily, though further development remains at a standstill until the end of the

war. An agreement in force on August 18, 1939, reached by an exchange of notes, concluded a reciprocal agreement between Canada and the United States. The agreement established procedure by which permits would be issued to air transport companies to operate across the boundaries of the two countries, including the Canada-Alaska boundary. The chief clause read:

Each of the parties agrees, subject to compliance with its laws and regulations, to grant to air carrier enterprises of the other party permits for non-stop services through the air space over its territory between two points within the territory of the other party; provided however that inland non-stop services between the United States and Alaska shall be the subject of a separate understanding. Each party further agrees . . . to grant operating rights to the air carrier enterprises of the other party for the operation of international services between a place in the territory of one party and a place in the territory of the other party.

Details of any applications were made subject to amicable adjustment by competent aeronautical authorities of each country.

There are ten operating permits in existence for air services between Canadian and American points, only one of which is taken out by a Canadian company, the Toronto-New York run of Trans-Canada. The others are short connecting links along the sprawling boundary between the two countries. An exchange of notes on March 4, 1943, provided that the air transport agreement could remain in

BANKERS TRUST COMPANY

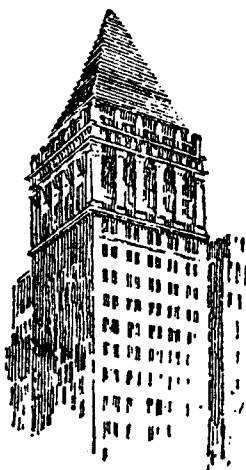
NEW YORK

Complete banking facilities

London Office:

26 OLD BROAD STREET, E.C.2.

Incorporated with limited liability in the U.S.A.



force until the end of the war, instead of lapsing on December 31, 1942, when a conference will be held to consider recommendations relating to the allocation of routes.

In Canada, there are two air transport companies, TCA and CPA, the publicly owned Trans-Canada Air Lines, and the privately owned Canadian Pacific Air Lines. CPA, a subsidiary of Canadian Pacific Railway, represents a merger of a number of small bush lines and other air transport services. It has been Government policy to assign transcontinental main line services to TCA, a subsidiary of Canadian National Railways. TCA operates a service from Halifax to Vancouver, and will shortly extend to Victoria on the Pacific coast end. CPA, on the other hand, operates feeder lines and dominates the north country traffic, especially in the rapidly developing north-west. Both are anxious to enter the trans-ocean business as soon as conditions permit.

During the war, special arrangements exist to permit companies contracted with Air Transport Command of the US War Department to carry military traffic through Canada. The traffic is carried chiefly by Pan-American Airways and Northwest Airlines, the latter having a civilian permit to operate between Minneapolis and Winnipeg.

TCA's Ambitions

A recent report to Parliament by Trans-Canada disclosed the national air line's ambitions in clearer detail than had been given previously. Trans-Canada expects in future to straighten its transcontinental route between Toronto and Winnipeg to fly directly across the Great Lakes. Then it will operate west from Winnipeg directly to Edmonton and, it expects, to "points of exit in Western Canada and the Yukon Territory." With its present link between New York and Toronto, TCA therefore plans to operate what will undoubtedly be one of the main trunk lines from New York across the continent north-westward directly to Alaska, the point of exit to Asia.

For trans-Atlantic flying, TCA already operates to Newfoundland, where it has provided a daily service since May, 1942. Its plans looking to Europe and Asia will, it is expected, be pressed as soon as possible. The president of TCA, H. J. Symington, said in his report: -

Canada occupies an important position in the future of the air world. The shortest routes between North America and Europe and Asia cross the Dominion, and weather conditions are stable. Canada's national air line is destined to play an important part in world aviation.

Both in the transcontinental service inside Canada and in the inland route to Alaska, the ownership of key landing fields lies with the Department of Transport. It has also developed an extensive meteorological service in all parts of Canadian territory. These things will become, it is felt, important bargaining rights held by Canada in the postwar competition for world air traffic.

Belgium Under the Wehrmacht

[BY A CORRESPONDENT]

April 27th.

As in other occupied countries, Germany first tried to make use of Belgium's industrial capacity by a system of economic collaboration. For this purpose, the economic departments of the Military Commander, working as branches of the Wehrwirtschaft Department of the Wehrmacht, introduced compulsory "syndicates" for industrialists, "central offices" for the control and allocation of requisitioned raw materials, and the "Order Bourse" in Brussels for direct contact between German and Belgian manufacturers. In agriculture, the new organisation, superimposed on the old, is mainly marked by a great number of controllers trying to enforce regular deliveries of agricultural produce. A prices and wages stop, compulsory marketing and central control of labour were put into force from the first day of the completed occupation. This experiment in running an entire economy by special departments of an army of occupation is now at the end of its third year. Its results are that industrial activity has been reduced to a fraction of its pre-war volume; and all repairs to damaged buildings and the reconstruction of destroyed buildings have been stopped since last summer.

Two outstanding facts characterise the present state of affairs. Roughly one-seventh of the total number of persons gainfully employed before the war have left Belgium for Germany and France. There are still more than 70,000 Belgian soldiers in German prison camps. The number of Belgian civilians voluntarily and forcibly employed in Germany is reported to be 436,000 and several tens of thousands are working in France. At the same time, the number of Belgians forced to work on fortifications by the coast is steadily increasing. The second fact is that, on the average, the food rations for normal consumers are only two-thirds of the rations in Germany. The weekly fat ration amounts to 35 per cent of the German ration, and no cheese or eggs are distributed. Frequently, shops are unable to supply the official rations.

The Food Shortage

It makes no difference how agriculture is changed from season to season. Total output still cannot cover more than 50 per cent of normal food requirements. During the three years of occupation, the pig population has decreased to roughly 40 per cent of the pre-war numbers. The poultry stocks have almost disappeared because of the lack of feeding stuffs formerly imported from overseas. For some time, the cattle population, particularly dairy herds, were maintained. But the new agricultural season will bring about a further drastic reduction in pasture, and wholesale slaughter of cattle will be the result.

Semi-official estimates show some of the changes in agricultural activity: -

(Percentage of total agricultural land, forests included)

	Cultivated Area	Forests	Pastures	Orchards
1938	34.2	40.0	23.4	2.4
1941	54.8	17.0	23.6	1.5

According to this estimate, the forests have been ravaged. The immediate purpose was, it can be assumed, the supply of pit-props for the coalmining industry, for imports ceased with the occupation. Some time ago, the military commander decreed that owners of forests must supply more timber for the mines or else special committees would fell and transport the necessary timber for them. The fact that pasture remained almost unchanged suggests that the arable land was mainly increased by bringing fallow land

and the soil of cleared forests under the plough. During 1942 and 1943, the changes are mainly in the direction of ploughing-up at least 20 per cent of grassland, which is to be devoted to cereals, root crops and particularly oilseeds, i.e., flax and rape.

Peasants and farmers seem to have opposed these plans by some kind of passive resistance, the only useful weapon peasants can employ. Cultivation of certain crops has therefore been made compulsory. Infrequent estimates indicate that at least 50 per cent of the total arable land is now under enforced cultivation. But the system of compulsory delivery of the crops, and numerous premiums in cash and in kind for special crops, especially oilseeds, have not prevented a considerable part of the output reaching the black market in foodstuffs, which seems to be flourishing mainly by the simple device of forged food cards. Last year, some cereal supplies were imported from France and other countries under German domination. The standard bread now sold in Belgium seems to be a mixture of cereals, beet-pulp and pulse.

Apart from coal, Belgium's industry is almost completely dependent on imported raw materials. Before the war, there was even an import surplus in coal and coke. The military commander made great efforts to restore the coal mining industry, even to the point of granting special food supplies to miners and employing Russian prisoners of war. Yet, the pre-war output has not been reached again. The iron and steel output has also remained below the pre-war level of production. In combination with the Speer plan for ensuring current supplies of steel last autumn, the German Iron and Steel Organisation actually succeeded in bringing more blast furnaces back into production. It is, however, doubtful whether the increased production can be maintained. The greatest obstacles, insufficient coal output and the condition of the railways, prevent any lasting improvement. The result is that the monthly quota of steel for internal purposes fell to roughly 20,000 tons at the end of last year. The leading steel concerns report, for the year 1941/42, that production was again smaller compared with the previous year.

Decline in Textile Production

Belgium's greatest single industry, the textile industry, entirely dependent on imported raw materials, was at once restricted to 30 per cent of its capacity. After the German model, a co-operative concern, the "Fabelta" (Union des Fabriques Belges des Textiles Artificielles) was founded for the manufacture of cellwool. The output of artificial fibre, which was very small at the beginning of the war, is said to have been trebled. Meanwhile, a second concern, the "BEFI" (Société Belge de Fibre) has begun operations, and it is also reported that the manufacture of cellwool from casein will soon begin. But total output is still only a fraction of former imports of cotton and wool, and it appears that at present the military commander is engaged in concentrating the entire textile industry for the purpose of releasing workers for Germany. Last year, the commander dissolved several industrial associations in the textile industry and replaced them by a new compulsory marketing organisation after the German model.

The concentration of industries and recently of the retail trade has gone much further than in Germany. The engineering industry is almost confined to the construction of locomotives and railway trucks. The manufacture of non-essential glass is prohibited, and the chemical industry is more or less confined to the manufacture of fertilisers. Since last year, however, the production of pharmaceutical articles and of artificial vitamins seems to have been increased. The printing industry is compelled to declare all stocks of paper exceeding 100 kilogrammes, and all orders need the permission of the military commander. The general concentration has resulted in numerous amalgamations of independent firms in the textile, glass, chemical and margarine industry, whereas a number of German concerns, particularly in the electrical industry, have established branch firms in Belgium. The only fully employed section is the cement industry, and the whole output is used for military purposes.

Last autumn, the military commander introduced compulsory labour and fixed the minimum working hours per week at 48. Men from 18 to 50 years of age and unmarried women between 21 and 35 years are liable to compulsory work in Belgium and in Germany. Work-books after the German model are compulsory and make control easy. The result is shown in the fact that from October last year to this spring more than 130,000 workers were sent to Germany.

Chairman's Copy
Special Meeting of the Directors

MINUTES
Co-operation by Company in
the Battle for Fuel.

- 1. Appointment of Fuel Watchers**
Fuel Watchers to be appointed for each shift in each shop. Secretary to write to Ministry of Fuel's Regional Office for badges. Records to be kept of all economy suggestions.
- 2. Monthly Fuel & Lub. Oil Consumption in Works**
Detailed records to be kept.
- 3. Steam Raising**
Engineer from Ministry of Fuel to be invited to report on efficiency. Boilers to be surveyed and air-leaks in brickwork made good. Lagging of all steam-pipes to be inspected. Boiler foreman's and stokers' request to attend Ministry of Fuel's local training courses approved.
- 4. Heating of Shops**
Thermostatic Control of heating to be investigated. Central heating Plant to be banked to avoid overheating during afternoons. Doors to be kept shut and draughts excluded. Temperature of shops to be restricted to the limits required by the Factory Acts. (Welfare Officer to report later on results).
- 5. Fuel Consumption for Process Work**
Production Manager to consult Trade Association on economy in process plant; also to revise production flow to use plant to full capacity. Engineer to discuss Lub. Oil economy with suppliers.
- 6. Canteen**
Menus already planned for fuel economy.
- 7. Lighting**
'Switch off' notices to be put up. Bulbs, reflectors, and windows to be cleaned regularly.
- 8. Any other business**
(a) **Posters and Bulletins.** Fuel & Lub. Oil economy posters and bulletins to be obtained from Ministry of Fuel.
(b) **Record of Fuel & Lub. Oil Savings.** Record to be forwarded periodically to the Ministry of Fuel's Regional Office.
- 9. Date of next meeting - Fortnight hence to report progress.**

Issued by the Ministry of Fuel and Power



THE BUSINESS WORLD

The Currency Plans

THE circumstances in which the separate proposals of the British and American Governments for the post-war regulation of international currency exchanges were released to the world have turned out to be singularly unfortunate. It was, it is believed, not wholly the Governments' fault; but to produce two plans on the same day, with neither one acknowledging the existence of the other, was inevitably to produce an appearance of rivalry, however sincere the denials of the authorities in both countries. And this, calamitously, is just what has happened. In America, to judge by the available reports, something in the nature of a witch hunt is going on, with Lord Keynes most unjustly in the rôle of victim, and the whole discussion is being translated on to a plane of power politics and national rivalries, which cannot fail to bring it to disaster. In England, the full text of the American document was not, for the first two weeks, readily available to individual members of the public, and the summaries of an inevitably complicated matter, on several issues, misled British opinion. Thus in both countries a far wider breach is being driven between the plans than is justified either by the details of the plans or by the nature of the intentions that inspired them. (It is only fair to add that each Government has now officially published the other's plan; this reciprocal publicity is a recent, but a wholly admirable, practice.*) There are, of course, as is wholly proper and natural, differences between the two plans, and it is the main purpose of this article to submit these differences to a careful analysis. But perhaps it is salutary to begin with a list of the similarities:

1. Both plans have been devised to deal with exactly the same problem—namely, the problem of how the nations after the war are to settle any outstanding balances arising from their trade and intercourse with each other. Both plans recognise that this problem, though very important, is technical in nature and limited in scope. Both deliberately exclude, at least from the main body of the discussion, such wider matters as relief and reconstruction, long term international investment, commercial policy and commodity controls.

2. Both plans have, by implication, a virtually identical definition of the problem to be solved. They envisage a world in which many countries would naturally have, in some years at least, net "unfavourable" balances of payments, but in which they will have difficulty, in default of special provision, in possessing themselves of means of international payment acceptable to those with "favourable" balances. If some such means are not provided, the only alternative for deficit countries† will be either default or the imposition of restrictions on their purchases in the hope of arriving at an exact balance—thus re-starting the familiar vicious spiral of restriction.

3. Both plans are based on the realisation that it is not enough merely to provide means for relieving the necessities of deficit countries. There must be some mechanism by which equilibrium can be restored. The facilities of either plan would be useful (in the words of the British memorandum) "just as the possession of any kind of reserve is useful, to allow time and method for necessary

adjustments and a comfortable safeguard behind which the unforeseen and the unexpected can be faced with equanimity."

4. Both plans acknowledge that it is impossible to have any form of international system without laying some obligations and, on occasions, some disciplinary constraints on the member nations. Both, however, have the object of reducing to a minimum the extent of interference with the freedom of each nation's economic policy.

5. Both plans are based on the assumption that, with provision for surmounting critical periods and with an acceptable degree of international discipline, currency equilibrium will be possible in the post-war world. "We are too ready to-day," says the British memorandum, "to assume the inevitability of unbalanced trade positions, thus making the opposite error to those who assumed the tendency of exports and imports to equality."

6. Both plans aim at the removal of existing restrictions on, and obstructions to, international trade and financial transactions arising out of current trade or genuine long-term investment. Both, however, envisage the necessity of restrictions upon the movement of liquid capital.

7. Both plans are put forward in tentative form for further discussion.

This is a formidable list of similarities. If it does not go quite far enough to establish an identity in the technical principles of the solution proposed, it is at least sufficient to provide an answer to those who, sometimes not without malice, seek to find some diametrical opposition of the authors' intentions or of the nature of the solutions they suggest. This very considerable basis of agreement should be borne in mind in considering the chief technical differences.

Before these differences are considered, however, it is as well to be entirely candid—more so than either official document could be—about the specific nature of the conditions which any scheme will have to meet in the post-war world. To talk of "surplus countries" and "deficit countries," of currencies of which there is a shortage and those of which there is a superfluity, is all very well; but it is better to name names. The one country which, above all, was a surplus country before the war and is certain to be still more strongly so after the war, is the United States. The central currency difficulty of the post-war years will be to find means by which the rest of the world can meet its obligations to the United States and buy the American goods it needs. The "rest of the world" is not, of course, a homogeneous expression and among the countries other than the United States there will be some that have more difficulty than others, and some that have less, in balancing their books. One country which, to judge by the present indications, will have rather more than the average difficulty in paying its international way is the United Kingdom.

The chief technical differences between the British and American plans are summarised below under the appropriate headings.

1. General Technical Nature

Here there is a clear difference. The central idea of the American plan is that a large fund should be collected at the outset, from which deficit countries could acquire the supplies of foreign currency they require to meet their obligations. All member countries would be called upon to contribute to this fund, but—except to the admittedly considerable extent that it was held in gold—it would not be a single homogeneous fund, but an aggregation of separate funds held in different countries. The only source—other than sales of gold—from which the fund could derive dollars to sell to deficit countries would be from the contributions of dollars and dollar securities made by the United States. And to the extent that the fund acquired dollars by selling

to the United States gold originally deposited by other countries, the method of payment would, of course, be merely that of the gold standard, with the difference that the deficit country would have to give up its gold at an earlier stage. The American plan is thus a generalisation of the technique of exchange equalisation funds, which can only help a deficit country to the extent that the fund already possesses or can borrow the currencies it needs.

The British plan, by contrast, applies the banking principle to international transactions. It presupposes a willingness on the part of nations (as of individuals within a nation) to accept payment of sums due to them, not in cash, but in entries on the books of a credit institution. This willingness makes it possible for the Clearing Union to "create" international purchasing power, just as a bank "creates" money. But, to follow the analogy still further, the Clearing Union would, in so doing, only be an agent between the surplus and deficit countries; it can only lend to the extent that those who come into possession of the created funds are willing to leave them on deposit. Any attempt to draw them out in "cash" (i.e., gold or scarce foreign currencies) would immediately deflate the structure of credit.

In some respects, the difference between these two methods might seem to be largely technical. In either case, the surplus countries are to accept payment in something other than gold or foreign exchange acquired in the normal way by deficit countries. The choice before the surplus countries is between (a) themselves providing the gold or currency with which they are to be paid the net balances owing to them and (b) taking payment for these net balances in entries on the books of an international bank—which may not seem to be very much of a choice. Overdrafts must be matched by credits in somebody's hands; and funds raised by a levy on contributors must be re-invested somewhere.

But there is one major difference in principle. Under the American plan, the first act of every member nation would be to pay out its contribution to the fund, part of which, even in the poorest cases, would have to be in gold. These contributions—even where, taking the form of local currency, they were promptly re-deposited with the contributing nation—would pass out of its ownership. Under the British plan, no nation has to make any specific act of contribution; it is asked only to leave on deposit any net credit balances that may accrue to it after the inception of the scheme. The American plan would seem to require from every country specific appropriations of public funds. The British plan would require no such appropriations, at least in most countries; since any balances remaining on deposit with the Clearing Union would be genuinely available for meeting deficits in subsequent years, they could quite properly be carried on the books of the surplus country's Central Bank, just as a commercial bank carries its deposits at the Central Bank.

The British plan, in short, is deliberately and confessedly expansionist in object; it would put funds at the disposal of deficit countries without abstracting from surplus countries any funds except those that they have chosen not to spend in international commerce. It would be wrong to say that the American plan is deliberately contractionist; but since it asks all countries to make their contributions to the fund before any of them receive anything back, it might well be contractionist in effect. Judgment, on this issue, between the plans must depend on the view taken of the circumstances of the post-war world.

2. Participation and Control

Both plans provide for each member nation to be given a quota, which is at once the basis of its voting power and of its ability to draw upon the international institution. Under the British plan, the quota would be based on the total of imports and exports—apparently visible trade only is intended. The basis would, at the start, be the average of the three pre-war years, but would later be adjusted to a more recent basis. The sum of visible British imports and exports in 1936-7-8 was, on the average, about £1,375 million per annum. The corresponding figure for the United States was about \$5,455 million. Which of the two countries had the larger quota would depend upon the exchange values of the two currencies to be decided after the war; but with any probable exchange rate, there would be approximate equality. Under the American plan, the quota would be based on "a country's holdings of gold and foreign exchange, the magnitude of the fluctuations in its balance of international payments, and its national income." No method of calculation is given, but under each of the three suggested headings (it should be noted that it is the size of the fluctuations in the international balance of pay-

ments, not the size of the balance itself), the United States would be entitled to a larger quota, and under two out of the three, a very much larger quota, than any other nation.

Under the American plan, "the distribution of voting power shall be closely related to the quotas of member countries, although not in precise proportion to the quotas." No country, however, would be entitled to cast more than a quarter of the total votes. For nearly all important decisions, a four-fifths majority is required; this would mean that the United States certainly, and the United Kingdom possibly, would have a veto on all important actions. The British plan provides that each nation's quota "shall determine the measure of its responsibility in the management of the Union"; it does not specify whether anything more than a single majority would be required for decisions.

3. Unitas and Bancor

Both plans invent a new unit. Under the American plan, one Unitas would be equivalent to 137 1/7 grains of fine gold—that is, to ten U.S. dollars of the present gold value. (Since the plan was released, Congress has removed the President's power to alter the present gold value of the dollar.) Unitas, however, would be simply a unit of account. The books of the Fund would be kept in it; but the Fund itself would consist of gold, currencies (i.e., bank deposits held in the various member countries) and Government securities. Surplus countries would receive payment of what was due to them either in gold or in their own currency. In these circumstances, it is difficult to see why Unitas was invented.

Bancor, on the other hand, is intended to be a real international currency. Not only is its value variable in terms of gold; but it is the essence of the British plan that bancor should be legal tender between nations. "Member states shall agree to accept payment of currency balances, due to them from other members, by a transfer of bancor to their credit in the books of the Clearing Union."

4. The Role of Gold

Both plans accept gold as the ultimate substance of international value—as, so to speak, the "cash" in the international banking system. Under both plans, nations can get "international credit" by paying in gold; both plans provide that the international body may, at its option, pay out in gold in reduction of surplus nations' credit balances.

But the connection with gold is much more direct and rigid in the American plan than in the British. Part of the original contributions to the Fund have, under the American plan, to be made in gold (12½ per cent of quota for every country possessing more than \$300 million of gold; 7½ per cent for countries possessing between \$100 and \$300 million; and 5 per cent for those with less than \$100 million). In addition, various continuing payments which have to be made to the Fund (e.g., by deficit countries on the amounts of gold or exchange they have acquired through the Fund) have to be made in gold. Unitas is fixed rigidly in terms of gold.

In the British plan, the point is made with some emphasis that what is wanted is a new quantum of international currency "which is neither determined in an unpredictable and irrelevant manner, as, for example, by the technical progress of the gold industry, nor subject to large variations depending upon the gold reserve policies of individual countries." It is also provided that the value of bancor in terms of gold would be subject to variation.

5. Exchange Rates

Both plans provide that, at the outset, the value of each national currency shall be fixed in terms of Unitas or Bancor. Both plans also provide that these values shall not be varied without the consent of the international body. The American plan provides that "changes in these rates shall be considered only when essential to correction of a fundamental disequilibrium and be permitted only with the approval of four-fifths of member votes."

The British plan, on the other hand, contemplates more

*The British plan is entitled "Proposals of an International Clearing Union," Cmd. 6437, price 4d. net. The American plan is entitled "United States Proposal for a United and Associated Nations Stabilisation Fund," price 3d. net. Both are published, in the United Kingdom, by H.M. Stationery Office.

†There is a possibility of serious misunderstanding in using the phrase "debtor country" (i.e., one which, on capital account, has more debts owing to foreigners than investments in foreign countries) when what is meant is "deficit country" (i.e., one which, in the year in question, has incurred more debts than credits in international trading). There is a similar confusion between "creditor countries" and "surplus countries." In most recent years, the United Kingdom has been a creditor but deficit country. India is an example of a debtor but surplus country.

CAN YOU THINK and talk "on your feet"? Can you convince a crowded audience, stand up and address a public gathering without notes? If not, learn how **RAPIDISM**, fascinating new course, can train you to become a fluent public speaker. Write now for free booklet to: **THE RAPIDISM INSTITUTE, 26, TUITION HOUSE, London, S.W.19.**

frequent changes in exchange rates. When a country has had a debit balance on the books of the Clearing Union exceeding "a quarter of its quota on the average of at least two years," it shall be entitled to reduce the value of its currency by as much as 5 per cent without permission and by a larger proportion with permission. Moreover, if a country's debit balance exceeds half its quota, the Clearing Union may, as a condition of any further overdrafts, call upon it to reduce the value of its currency. And conversely, if a country has a credit balance exceeding half its quota, the Union may recommend (though not compel) it to permit an appreciation of its currency.

6. Equilibrating Adjustments

Both plans provide for steps to be taken by the international body to restore equilibrium if countries are incurring either excessive deficits or excessive surpluses. The British plan is the more specific. The Clearing Union may recommend to (or, in certain circumstances mentioned in 7 below, enforce upon) deficit countries (i) currency devaluation; (ii) control of capital exports; (iii) surrender of gold or other liquid balances, and (iv) "any internal measures affecting its domestic economy which may appear to be appropriate to restore the equilibrium of its international balance." To a surplus country the Clearing Union may recommend (i) "measures for the expansion of domestic credit and domestic demand"; (ii) currency appreciation "or, alternatively, the encouragement of an increase in money rates of earnings"; (iii) reduction of tariffs and other import restrictions; (iv) international development loans.

Under the American plan, a deficit country is to agree, in certain circumstances, "to adopt and carry out measures recommended by the Fund designed to correct the disequilibrium in the country's balance of payments." Similarly, the American plan does not specify the nature of the recommendations that are to be made to countries with excessive surpluses.

7. Deficits and Surpluses

In the supporting argumentation, the British plan lays considerable emphasis upon the equal responsibility of deficit and surplus countries for international exchange disequilibrium. "We need a system possessed of an internal stabilising mechanism, by which pressure is exercised on any country whose balance of payments with the rest of the world is departing from equilibrium in either direction, so as to prevent movements which must create for its neighbours an equal but opposite want of balance" (italics in the original). The American plan contains no arguments of this tenor.

In actual substance, however, the two plans are—with one exception—very similar in their treatment of the deficit and surplus country. The exception is that the British plan would levy a charge of 1 per cent on all *bancor* balances, whether credit or debit, this provision being "a significant indication that the system looks on excessive credit balances with as critical an eye as on excessive debit balances, each being, indeed, the inevitable concomitant of the other." The American plan levies charges only on deficit countries and provides that they are payable in gold.

In its main provisions, each plan provides that a deficit country can be required, as a condition of being able to draw beyond a specified point upon the assistance of the international body, to make the necessary equilibrating adjustments. As for the surplus country, the British plan provides that it "shall discuss with the Governing Board (but shall retain the ultimate decision in its own hands) what measures would be appropriate." The American plan is even more cautious. The Fund "has the authority and the duty to render to the (surplus) country a report embodying an analysis of the causes (of the surplus) . . . , a forecast of the prospective balance of payments in the absence of special measures, and finally, recommendations." The board member of the country in question has to be a member of the drafting committee, and the country agrees to give "immediate and careful attention" to the recommendations. The authors of the American plan apparently have some lack of confidence that this will be enough to correct the situation, for the plan also includes some rather curious suggestions for the "apportionment" of any currency that becomes scarce. What deficit countries are to do if their apportionment falls short of their requirements and they are forbidden to impose exchange control or devalue their currencies, is not stated.

8. Exchange Control

On this subject, the American plan is explicit. Member countries are "to abandon, as soon as the member country decides that conditions permit, all restrictions and controls over foreign exchange transactions (other than those involving capital transfers) with other member countries, and not to impose any additional restrictions without the approval of the Fund." They are, however, to "co-operate effectively" with other countries which desire to regulate international movements of capital.

The attitude of the British plan is less clear. The general intention is said to be to make "blocked balances and bilateral clearings" unnecessary, and it is stated that "it should be laid down that members of the Union would not allow or suffer among themselves any restrictions on the disposal of receipts arising out of current trade, or invisible income." On the other hand, the control of capital transactions is not merely allowed, but to be encouraged and, in some cases, urged upon deficit countries (see 6 above). It is explicitly stated that the plan is "consistent alike with the type of Exchange Control now established in the United Kingdom or with the system now operating in the United States." Further, the plan urges the "further extension" of arrangements for centralising in Central Banks, or Exchange Controls "the supply and demand of all foreign exchange, thus dispensing with an outside exchange market, though continuing to accommodate individuals through the existing banks and not directly."

9. Sterling Area

The British plan makes specific reservation for arrangements such as the existing sterling area. "For arrangements such as the existing sterling area, there is no reason," it says, "why such countries should not be allowed a double position." But countries which do not belong to such a political or geographical group would be expected to keep their reserve balances with the Clearing Union and not with each other.

The American plan makes no specific references to groupings, but it is clear that they would be frowned upon. Each member country agrees not to "engage in multiple currency practices" and it also agrees to offer for sale to the Fund "all foreign exchange . . . it acquires in sale to of the amount it possessed immediately after joining excess fund." Whether or not the first quoted phrase is intended to refer to the sterling area, the second would clearly make its working impossible.

10. Abnormal Wartime Balances

Both plans mention the problem that will exist at the end of the war through the existence of large liquid balances held by some of the United Nations in others. For all practical purposes, this is a problem of the very large balances held in London by (i.e., owed by the UK to) Canada, India, and many South American and other neutral countries. Their origin is, of course, in the very heavy purchases that the United Kingdom has made in wartime without any possibility of shipping goods in payment.

The British plan says that the problem is one of "special difficulty." The creditors will want to draw on their balances, but the debtor can hardly stand the strain of redeeming them in *bancor*. It is hinted that the solution might be some special arrangement by which these balances could be convertible into *bancor* by the creditor, "whilst there would be no corresponding strain on the *bancor* resources of the debtor country, or, at any rate, the resulting strain would be spread over a period." If this means—as it appears to—that the country owing these abnormal balances would be given an additional quota of *bancor* on which its creditors could draw, then the immediate economic effect would be to enable the creditor to turn these balances into goods at the expense of those countries which, while he is doing so, actually incurred surpluses. If this additional quota had to be liquidated over a period by the original debtor, it could do so only by piling up surpluses—that is, by paying its debts in goods.

The American plan outlines a complicated scheme whereby the abnormal balances would, at the start, be taken over by the Fund, the creditor being reimbursed in its local currency. Thereafter, creditor and debtor would each repurchase, for gold, 40 per cent of the original balances over a period of 20 years, the first 20 per cent being cancelled by levies on creditor and debtor. The economic effect would be that the debtor would wipe off 90 per cent of the debt in goods—50 per cent out of its general trade, 40 per cent by exports specifically to the creditor—while the remaining 10 per cent would be forgiven by the creditor.

Finance and Banking

Credit Contrasts

There have been sharply contrasting conditions in the money market this week. Exceptional stringency in the early part of the week made way for equally exceptional ease on Thursday. The reasons for the initial period of credit scarcity were many. The Easter week-end expansion in the circulation had encroached on bank cash and notes have shown some sluggishness in returning from circulation this week. The Bank return shows the notes in circulation last Wednesday to be still £5,560,000 in excess of those circulating a week previously. In the second place, most of the clearing banks have been making up this week and have, therefore, proved more sensitive than usual to a shortage of cash. The discount market, for its part, has had a bumper amount of Treasury bills to take up. Not only did it obtain the generous allotment of 43 per cent at last week's tender for Treasury bills, but the aggregate amount for which it applied had been duly stepped up in accordance with the increase to £90 million in the amount of bills on offer. If the total amount tendered for by the market syndicate was slightly in excess of the £90 million on offer, the bills which it had to take up this week must have been in the neighbourhood of £40 million. The £90 million of Treasury bills to be paid for this week were offset by maturities of £75 million only. Treasury deposit receipt payments by the banks amounted to £40 million. Though nominal maturities were £10 million in excess of this figure, it is probable that, owing to pre-encashments of the week's maturities, the banks were in effect called upon to find a small amount of fresh TDR money. This combination of circumstances caused exceptional stringency on Tuesday and relief was given by substantial official purchases of bills. This official help was given very late in the day and the market was kept in suspense to the last and had drawn on every possible source of accommodation, including privilege money, when the special buyer appeared. The position had been appreciably eased by the close of business on Wednesday and the Bank return shows bankers' deposits at the comfortable level of £170,109,000, or £28,724,000 higher on the week. A rise of £32,709,000 in Government securities was the main instrument in offsetting the effect of the higher circulation and in swelling the volume of bank cash.

Large Bank Notes to Go

The Chancellor of the Exchequer announced in Parliament last week that, with his concurrence, the Bank of England proposed to cease forthwith to issue bank notes of the denomination of £10 and upwards and would withdraw those already issued as opportunity offered. It is impossible to say what sum is likely to be involved by the ultimate disappearance of all bank notes of £10 and over. The denomination of notes in circulation was published, as yearly averages, until the outbreak of the war, but it is probable that the distribution has undergone substantial alterations since 1938, the last year for which statistics are available. In that year, out of an average circulation of £485,600,000, notes of 10s., £1 and £5 accounted for £372,900,000, or 76.8 per cent. The balance consisted of notes of £10, £20, £50, £100, £200 (whose issue was discontinued in 1928), £500 and £1,000. The ratio of notes of larger denomination to the total circulation had been increasing in the preceding seven years, no doubt as a result of the increased hoarding of sterling notes on the continent of Europe in that period of troubled currencies. Whereas in 1938 the notes of £10 and over represented 23.2 per cent of the circulation, the corresponding figure for 1931 was only 15.8 per cent. Most of the largest notes, that is of £100 and over, were, before the war, used in bankers' reserves and as cover for Scottish and Irish note issues. In explaining the reasons for discontinuing the issue of the larger notes, Sir Kingsley Wood opened, rather typically, with the least important of them. The change, he said, was intended "to simplify the production and handling of the note issue." Some time may admittedly be saved in the labour of sorting the various denominations. But this will be more than offset by the additional labour and material involved in issuing the larger acreage of notes required under the new ordinance.

The Chancellor got nearer the heart of the problem when he added that the change "will provide an additional

handicap to those who may contemplate breaches of exchange control or other regulations." The existence of notes of large denomination has certainly aided the work of the note smuggler, and has to some extent contributed to the breaching of the exchange control regulations. Even more nefarious work has probably been done by bank notes in helping the operations of black markets, principally in foodstuffs, and in conducing to income tax evasion. Most black market transactions are effected in cash because cash payments leave no tell-tale traces. As for tax evasion, it is probable that by far the greatest amount of such evasion is attributable to the class of traders and professional men who, by transacting the greater part of their business on a cash basis and by appropriate adjustments of their books, are able, with a varying measure of impunity, to file false income tax returns. It would be asking too much of the decision not to issue more large bank notes to expect it to check these evils of illegal market operations and tax evasion. The two problems must be tackled more directly. But, in so far as the task of the evildoers can be made in any way more difficult by the withholding of notes of larger denominations, the action of the Bank of England can only be welcomed.

Floating Debt in April

The national debt return issued this week covers the period April 1st to 24th. It reveals some exceptionally large transactions. The most important of them is the issue during this period of a 3 per cent terminable annuity for £120 million to the National Debt Commissioners. This



A Complete Banking Service

THROUGH its widespread organisation, Barclays Bank offers the fullest possible facilities for the transaction of every kind of Banking Business, at home and abroad

Full particulars of the various services provided may be obtained from any Branch of the Bank

BARCLAYS BANK LIMITED

Head Office :
54, LOMBARD STREET, LONDON, E.C.3

FOREIGN BRANCHES :

LONDON	-	168, Fenchurch Street, E.C.3
		1, Pall Mall East, S.W.1
BIRMINGHAM	-	61, Colmore Row
BRADFORD	-	13, Market Street
LIVERPOOL	-	21, Castle Street
MANCHESTER	-	94, Portland Street

was issued as an investment for the balances held by the Commissioners on behalf of the funds of the savings banks. The main counterpart to this is a reduction of £78,650,000 in ways and means advances from public departments. Pending the more permanent investment of these savings banks funds, the National Debt Commissioners had probably employed the bulk of them in ways and means advances. The floating debt statement is also notable for its revelation of the absence on April 24th of any ways and means borrowing from the Bank of England. The latest debt statement is the first since that for the end of last August to show no such indebtedness owing to the Bank. On the evidence of these monthly returns, it is clear that the Treasury now relies on direct borrowing from the Bank to a far greater extent than at any previous period. This recourse to central bank credit is of no great importance if judged by the amounts involved, but it provides a means of adjusting day to day disparities between anticipated income and expenditure and enables the Exchequer to keep its balances at the Bank down to exceptionally small figures. The net amount raised from the banks in TDR's in the first 24 days of the financial year was £74,500,000. During this period, pre-encashments of TDR's to cover subscriptions to new Government issues amounted to £47 million. The Treasury bill issue rose by £18,240,000 between April 1st and 24th. To get an exact comparison of the distribution of tap and tender bills one has to go back two months, i.e., to February 27th. Since then the tender bills have risen from £980 million to £990 million, and the tap bills from £1,829,735,000 to £1,867,160,000. The increase in the latter provides a partial reflection of the continued rise in Empire balances held in London.

Financing Expenditure

The following table summarises the Exchequer returns to date (April 24th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

£,000			
Total ordinary expenditure...	399,630	Total ordinary revenue	151,278
New Sinking Funds	463	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net)	9,262
"Other debt"	374	3% Savings Bonds 1960-70	33,120
Bank of England Adv.	6,500	2½% Nat. War Bds. 1951-53	47,600
Public Dept. Adv.	78,650	3% Terminable Annuity	120,000
Miscellaneous issues	1,815	Nat. Savings Certs. (net)	18,450
		Tax Reserve Certs. (net)	14,303
		Floating debt (net):—	
		Treasury Bills	18,627
		Treasury Deposits	74,500
		Decrease in balances	292
	£487,432		£487,432

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

Bombay Bullion Boom

The prices for gold and silver in the Bombay market have risen to new records this week. At Rs. 94 per tola, gold has touched the equivalent of £18 16s. per ounce and at Rs. 128 per 100 tolas, silver has reached the equivalent of 56½d. per standard ounce. The latest advance in the rupee price of silver has completely broken the barrier which, for some months, was offered by the minting price of the old rupee coinage, namely, Rs. 109 per 100 tolas. This was never more than a psychological obstacle, since the coinage

now going into circulation is of 500/1,000 fineness and, therefore, gives a minting price of Rs. 200 per 100 tolas. With the market price for silver so considerably over the old minting parity, a certain amount of hoarded old coins are probably coming into the market, but the volume of such dishoarding must be small, as all the portents seem to favour the continued buying of the two precious metals. The basic factor in the position of both gold and silver in India is to be found in the fact that, owing to the financial impact of the war on India and to the inevitable restrictions on imports into the country, a considerable measure of inflation is under way. The money liberally disbursed by Allied purchases from India and by preparations for the defence of India is neither being mopped up by increased taxation and domestic loans nor counter-balanced by increased supplies of imported commodities. Indians are merely following the precedents of centuries when they invest their surplus in precious metals. Superimposed on this underlying factor in the situation is the speculative activity of Bombay market operators. This has been stimulated by several factors recently. In the case of gold, imperfect appreciation of the Keynes and White schemes, and of the US Congress discussions of the Presidential monetary powers, has tended to increase bidding for the metal. In the case of silver a similar result has followed the news that Great Britain was applying for Lend-Lease silver from the United States. Another factor which has stirred speculation in both markets has been the disappointing course of the Burmese campaign with its faint revival of fears of Japanese invasion. The position in both gold and silver markets is highly artificial, as may be seen from the sharp break which occurred in both quotations towards the end of the week.

Alexandria Gold Market

Conditions resembling those experienced in India are also to be found in Egypt. In that country, too, there are basic inflationary forces at work, deriving most of their strength from the expenditure in Egypt of the considerable Allied forces stationed in that country. Moreover, there is in Alexandria a bullion market in which free dealings in gold is allowed. The turnover of this market is probably even smaller than that handled in Bombay and for the most part it consists of transactions for the local jewelry trade. Of recent months, however, there has been a considerable hoarding demand for gold to be satisfied, and this, coming on a poorly supplied market, has lifted the price to 188 piastres per dirhem. The dirhem is equal to 3.12 grammes, or 0.11 ounces, and the latest quotation gives a sterling equivalent of £17 10s. 6d. per fine ounce. It is interesting to note that although there is no link whatsoever between the Bombay and Alexandria markets, each of them quotes roughly comparable prices for gold. The supplies of gold reaching the Alexandria market are for the most part derived from hoards. It must not be forgotten that during the last war the Arab countries were liberally irrigated with this metal, and that to this day the gold coins distributed by Lawrence and others are an essential part of the currency of these countries. There is also a small trickle of gold production in the Middle East which by devious ways probably makes its way to the Alexandria market to realise the substantial premium which it offers over the official sterling and dollar prices for the metal.

Investment

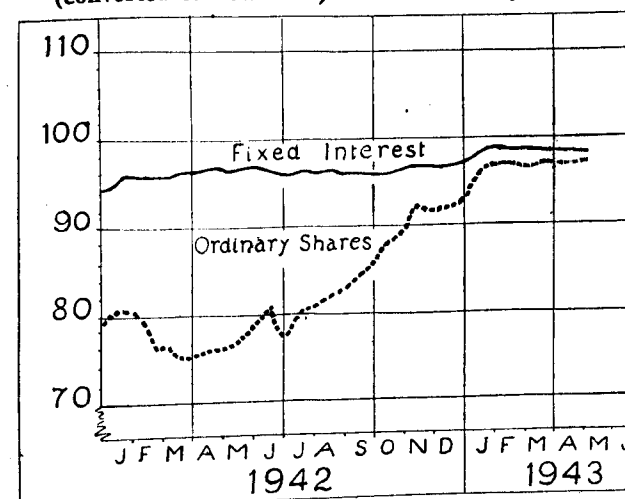
Narrowing Yield Margins

Behind the sharp rise in home railway equities and the excitement in gold and diamond mining shares, a further modest rise in industrial equities has been proceeding steadily throughout the month just ended. It was suggested three weeks ago that a continuance of rather better industrial results might produce a modest buying movement. It is just possible to discern signs of such a development, but they are very slight. None the less, the index of *The Financial News* has climbed up over half a point on the month. This, combined with a renewed sagging tendency in gilt-edged prices, has been sufficient to reduce the margin between the two indices, as recalculated to the base of July 1, 1935, to 0.6 points on the average for last week, and to virtually nothing as at April 30th. There is

no particular significance to be attached to their crossing. If a different base date were chosen, it would occur earlier or later. It is, however, suggestive. The figures are, of course, price indices. According to the classical formula, the lines should cross in anticipation of the time when industrial profits will be on the up-grade. The argument presupposed that there was a necessary connection between profits and the value of equity shares. Now, it is quite possible to imagine circumstances in which only a small part of the improvement will pass to the proprietors. It is not, however, easy to imagine that the increased benefit of better times will be reduced to vanishing point, for that would mean, not only a great injustice to shareholders, but a definite discouragement to risk-taking among savers and a resultant reduction in the incentive to save.

The whole question for the investor is whether the point has already been reached at which the permitted rise in profits has been discounted or not. That is a political question and one which involves foreign as well as domestic politics. Some assistance in forming a decision may be derived from a study of the yield figures. Unfortunately, *The Actuaries' Investment Index* does not provide exactly the data required, nor has it a composite fixed interest figure. As between June 25, 1935, and

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



March 30, 1943, there was a net fall in the price index for 2½ per cent Consols of 3.7 per cent to 96.3 and a rise in the yield from 2.94 to 3.05 per cent. For a slightly different selection of equities at the two dates, the price fall was 3.4 per cent, while the yield rose from 3.80 to 4.40 per cent. This means that for every point in the rate of interest an additional 0.443 points is demanded on a mixed collection of industrial equities against only 0.291 rather less than eight years ago. On a three or five years view at least, this difference can only be due to the "political" risk.

Valuation of Assets

As is usually the case, industry is already questioning the value of concessions promised by the Chancellor in his Budget speech. The general line of criticism is that, however fair they look, they will be shot to pieces by the Treasury when it comes down to actual figures. The dispute raises once again the whole compensation question, both as to the field which ought to be covered and the basis on which compensation should be granted. Without either entering into the intentions of the authorities, which are far from clear and can scarcely be given final form at this stage, or attempting to assert what ought to be done, a little preliminary clearing of the ground will do no harm. As was pointed out in a note in *The Economist* of April 10th, there is a substantial divergence of opinion among accountants and auditors as to the proper basis of valuing assets—quite apart from the technical difficulties of securing a just valuation when the principle is settled. It is now quite apparent that a considerable number believe that the sole essential is to maintain, not the manufacturing power of a concern, but its financial capital. Most directorates will wish to expand their enterprise, but it is still commonly the case that expansion is counted from the basic money capital, and that there is, in these cases, no recognition of the fact that, when prices are rising, it is necessary to retain profits sufficient to ensure a corresponding rise in the balance-sheet total if real capital is not to be depleted. That is to say one must retain enough not merely to replace stock-in-trade and fixed assets at the higher values, but also to permit of a corresponding increase in net liquid assets.

All these items may, of course, be affected by factors other than the price advance. Improved machinery may cost less per unit of output than the old, despite the price rise. New and cheaper substitutes may be found for old materials. Changes may occur in the practice of debt payments, which will reduce, or increase, the amount of liquid resources

required. In the absence of clear evidence of these changes, there should, however, be full allowance for the price rise over the whole of assets when deciding what can properly be paid out of the concern. There is a great deal of evidence that there is little scientific assessment of these needs, and that the rather haphazard guesses based on past experience may be leading to unduly generous dividend payments, if what the management has in mind is in fact the maintenance of physical potential and not merely financial profit. The new Budget White Paper shows net impersonal savings, after providing for taxes due but unpaid, of only £190 million last year against £170 million in 1938, and this figure refers not only to company profits retained, but to all savings in connection with industry, agriculture, commerce and retail distribution. Unless the earlier allocation allowed a great deal for expansion, the latter is, surely, far too low.

De Beers Muddle

It is a matter which cannot be too widely advertised that, while the full accounts of De Beers were available in Johannesburg on March 29th, no information as to their contents were obtained in this country for publication before April 22nd. Even then, nothing but a summary, cabled by a news agency, could be obtained. That the agencies should, perhaps, have acted sooner does not enter into the case. It is the clear duty of the company, knowing as it does that there are large holdings in this country, to see to it that all information is simultaneously available in both countries. Between Friday, March 26th, and Wednesday, April 21st, the price of De Beers rose from 16½ to 19½, an improvement of almost 15 per cent during a period when the ordinary holder in this country was without important information already in the possession of holders in South Africa and of those in this country who were able to obtain special facilities. It may be worth recalling that last year there was a muddle, owing to the fact that accounts posted *en bloc* were held up by the authorities here, whereas those sent to individual shareholders, passed through to the addressees. That resulted, as was pointed out by *The Economist* on May 16, 1942, in selective disclosure. This year's performance is even worse. There can be no question but that the company should take the matter seriously in hand.

Such figures as are now available present a more encouraging picture than the raising of the deferred dividend from 20 to 40 per cent. The diamond account is up from £1,767,967 to £2,615,000 and investment income, largely from diamond interests, from £896,172 to £1,314,000. Tax provisions are £752,000 against £503,000 and net earnings amount to approximately 80 per cent on the deferred capital against 17.3 per cent for 1941. After setting on one side £129,000 for authorised expenditure on machinery and plant it is possible to add £554,000 to the carry forward. The summary indicates that holdings in diamond interests are up by some 50 per cent to almost £5,500,000 and holdings in the Diamond Trading Company have been increased by 740,000 shares since the end of the year. The liquid position of the company also shows improvement. The report indicates that sales for the current year to date are satisfactory and output appears promising. The explanation of the improvement is not far to seek. After a considerable gap, skilled cutters have been trained in South Africa, this country, and America. There

• Interest paid half-yearly
• Income Tax not deducted at source

3% SAVINGS BONDS
1960-70
POST OFFICE & TRUSTEE SAVINGS
BANK ISSUE

Issued by the National Savings Committee

Sixty - Second Annual Report of the Directors of Canadian Pacific Railway Company
Year ended December 31, 1942

The accounts of the Company for the year ended December 31, 1942, show the following results:—

Net Income for the year amounted to \$40,354,267, being \$5,992,835 greater than in 1941.

The comparative results of railway operations were as follows :—

GROSS EARNINGS increased by \$35,418,038, or 16.0 per cent., and were greater than in any previous year in the history of your Company, exceeding those of 1928 by \$14,885,630, or 6.2 per cent.

FREIGHT EARNINGS increased by \$18,496,666, or 10.4 per cent. Increases were reported in all commodities except grain. The

movement of manufactured goods increased principally as a result of the greatly expanded output of munitions of war. Developments such as the Alaska Highway, the enlarged shipbuilding programme, and the construction of naval depots and airfields at various points also contributed to the growth of freight traffic. The curtailment of ocean and coastal transport owing to the shortage of shipping increased the rail movement of such staples as coal and oil, and restrictions on highway transport contributed to an increase in short haul traffic.

Earnings from grain and grain products decreased \$6,041,016, or 15.5 per cent., in spite of the fact that the largest Prairie wheat crop on record—565 million bushels—was harvested this year. The lack of adequate shipping, as well as the closing of important export markets, created serious storage problems at the Lakehead and at other terminal points, thus restricting the movement of grain. Grain handlings on your Company's lines dropped to 181 million bushels as compared with 215 million in 1941 and were somewhat less than the average of 183 million bushels for the fifteen years, 1927-41. At the end of the year, only 10 per cent. of the wheat available for movement in the Prairie Provinces had been transported, and there remained to be shipped approximately 570 million bushels, or 80 per cent. more than at the close of 1941.

Revenue freight traffic totalled 22,600 million ton miles, 225 million greater than in 1941 and 4,177 million greater than in 1928. The average revenue per ton mile was 0·86 cents as compared with 0·79 cents in 1941 and 0·96 cents in 1928.

PASSENGER EARNINGS increased by \$14,041,105, or 55.5 per cent., and were the highest since 1921. Travel, with the exception of long distance holiday traffic, showed heavy increases over practically all sections of your Company's lines. Civilian travel was exceptionally heavy in spite of the elimination of many classes of reduced fares. The growth in passenger traffic resulted partly from the restriction of automobile travel through the rationing of gasoline and the shortage of rubber for tyres. The average passenger journey was 156 miles, compared with 144 miles in 1941, the longest previously recorded. The heavy movement of the armed forces, both on duty and on leave, and the low rates applicable to such traffic contributed to the reduction in the average revenue per passenger mile which was 1.87 cents, the lowest since 1910.

OTHER EARNINGS increased by \$2,880,267, or 15.4 per cent. Substantial increases occurred in revenues from news services and from dining, sleeping and parlour cars. Net payments for hire of equipment increased \$930,104 as a result of a greater movement of

commodities in tank cars, gondolas and covered hopper cars owned by private operators and by United States railways.

Exclusive of taxes the increase was \$33,187,885, or 18·9 per cent. of the increase in gross earnings. The war-time cost-of-living bonus paid to employees amounted to approximately \$12,000,000, an increase of about \$7,500,000 over the previous year. The bonus at rate of \$3·65 per week which went into effect November 16, 1941, effective August 15, 1942. In spite of the increased wage and material costs the ratio of working expenses (excluding taxes) to gross earnings was reduced from 71·65 per cent. in 1941 to 71·54 per cent. in 1942.

MAINTENANCE OF WAY AND STRUCTURES EXPENSES increased by \$8,461,192. The continuing heavy traffic brought about a considerable rise in current maintenance requirements, but shortage of labour and materials compelled the restriction of the work undertaken to those repairs and replacements essential for safe operation.

Locomotive repairs involved an expenditure of \$11,074,361 and included the shopping of 821 engines for heavy repairs. Maintenance of passenger train cars cost \$6,505,893 and included the general overhauling of 1,272 units. The maintenance of freight train cars cost \$10,685,545 and included heavy repairs to 26,272 cars. Arch bar trucks were replaced by cast steel truck side frames on 3,519 cars to make them available for interchange traffic. At the end of the year, 93.2 per cent. of locomotives and 97.7 per cent. of freight cars were in serviceable condition, as compared with 92.3 per cent. and 98.0 per cent. respectively, in 1941. Charges for depreciation of rolling stock amounted to \$12,777,310, as compared with \$12,700,602 in 1941.

TRANSPORTATION EXPENSES increased by \$10,653,857. The ratio to gross earnings was reduced to 32.27 per cent., the lowest on record. There was a substantial improvement in passenger service performance. The average number of passengers per train mile was 110, an increase of 47.9 per cent., while the average train consisted of 8.4 cars, an increase of 7.7 per cent. Another favourable factor was the heavy loading and better utilization of freight cars. In spite of a substantial decrease in the movement of grain, a commodity which loads heavily, the average freight car load showed a slight improvement, being 31.93 tons compared with 31.86 in 1941. Although loaded car miles increased 0.9 per cent., empty car miles were reduced by 13.5 per cent. As against these favourable factors, the movement of trains on many sections of the line was rendered more difficult owing to the increased density of traffic.

OTHER WORKING EXPENSES increased by \$10,234,135, of which \$8,087,822 was attributable to heavier taxes. Railway tax accruals, including \$21,300,000 for Dominion Income and Excess Profits taxes, were \$24,920,980. Expenses of dining and buffet service were higher by \$828,785 and news service by \$473,956.

Other income amounted to \$15,861,034, an increase of \$2,478,975, or 18.5 per cent.

Dividend income decreased by \$1,671. Dividends of \$2.50 per share—the same rate as in 1941—were received from The Consolidated Mining and Smelting Company of Canada, Limited. Net income from interest, exchange, and

ties and miscellaneous sources increased by \$2,523,799. A marked improvement took place in the operating results of the Northern Alberta Railways Company, which enjoyed a very large volume of traffic from special war projects and related activities in North-western Canada. As a result of additions to sinking and other reserve funds there was an increase in the income from this source, and the amount of your Company's management fees under its contracts with the Government was larger owing to the growth of production of munitions in the shops.

Net earnings of ocean and coastal steamships were \$2,888,278, an increase of \$99,981. All units of your ocean and coastal fleets were actively employed throughout the year.

Net earnings of hotel, communication and miscellaneous properties decreased by \$143,134. The reduction in hotel earnings amounted to \$354,228.

Dividends amounting to \$5,042,782, being at the rate of 4 per cent. on the non-cumulative Preference Stock, were declared out of the Net Income for the year.

It is the decision of your Directors that no dividend on Ordinary Stock should be declared from the earnings of the year 1942. During the past three years the Board of Directors has

has been substantially reduced, the Funded Debt of your Company is less than they were when dividends were last paid. It is felt that these charges are still higher than they were when dividends were last paid. It is felt that these should be brought down to something like the former level before distribution to shareholders is renewed.

Your Directors have in mind that after the war there will probably be a period of readjustment with unpredictable reactions on the earnings and expenses of transportation companies. After careful consideration of all factors, they have come to the conclusion that it is in the best interests of the shareholders to conserve your

exists an excellent demand for their output, both as gem stones and as industrial diamonds. The former constitute a partial inflation hedge, as well as an outlet for surplus cash, while it is believed that technological improvements have helped to increase the industrial uses of diamonds, the demand for which would, in any case, have been stimulated by industrial expansion under war conditions. The boom in diamond shares shows signs of faltering, and De Beers deferred now stand at 19½ against a recent high of 20½, the best for some eight years.

Last year, General Accident increased the amount paid up on its 2,000,000 ordinary shares of £1 nominal from 5s. to 10s. per share by a transfer of £500,000 from the balance of profit and loss account. This year it is proposed to make a further payment of 2s. 6d. per share, at a cost of £250,000 from the same source. The operation will bring the total paid-up capital, including £250,000 of cumulative preference shares, to £1,500,000, and reduce the carry forward, after providing for cash dividends and the proposed scrip bonus, by £214,324 to £242,285. This is apparently not to be the end of the matter, for the chairman, Sir Francis Norie-Miller, expresses the hope that it will be possible in the future to make the shares fully paid. The advantage to the shareholder of such an event is at least equal to the actual amount paid up on the shares, despite the fact that actual distributions are not necessarily increased. The company has a general reserve of £2,000,000, and an investment reserve, the greater part of which has been liberated by the recent rise in quotations, of £988,000. The company is, of course, suffering from the fall in premium income on motor insurance, in which it is deeply interested; but it is a fair inference from the increase in dividend that the outlook is considered favourable. The example set a year ago has now been followed by the London and Lancashire Insurance, which is proposing to pay up £1 per share of £5 nominal value, now £2 paid. This involves a transfer of some

Net charges to profit and loss amounted to \$4,446,938, as compared with \$2,978,009 for 1941. One of the principal items was the retirement of track and other facilities at Transcona Yard, near Winnipeg.

		ASSETS	\$	\$
PROPERTY INVESTMENT :—				
	Railway, Rolling Stock, Inland Steamships, Hotel, Communication and Miscellaneous Properties.....		901,532,307	
	Improvements on Leased Property.....		98,840,778	
	Ocean and Coastal Steamships.....		52,885,105	
	Stocks, Bonds and Other Securities of Leased, Con- trolled and Jointly Controlled Railway Companies and Wholly Owned Companies.....		201,482,592	1,254,740,782
OTHER INVESTMENTS :—				
	Miscellaneous Investments—Cost.....		26,296,858	
	Advances to Controlled and Other Companies.....		27,558,577	
	Mortgages Collectible and Advances to Settlers.....		3,072,202	
	Deferred Payments on Lands and Townsites.....		28,930,934	
	Unsold Lands and Other Properties.....		21,874,089	
	Maintenance Fund.....		7,250,000	
	Insurance Fund.....		9,707,129	
	Steamship Replacement Fund.....		36,081,515	160,771,300
CURRENT ASSETS :—				
	Material and Supplies.....		28,017,845	
	Agents' and Conductors' Balances.....		13,766,548	
	Miscellaneous Accounts Receivable.....		17,841,429	
	Cash.....		45,381,814	105,007,636
UNADJUSTED DEBITS :—				
	Insurance Prepaid.....		222,590	
	Unamortized Discount on Bonds.....		1,615,344	
	Other Unadjusted Debits.....		1,37,445	2,975,379

NOTE.—Particulars of securities held for account of the Company, of obligations of the Company in respect of the principal of securities of other companies owning railway lines operated under lease, and of contingent liabilities of the Company are set out in the accompanying schedules.

TO THE SHAREHOLDERS, CANADIAN PACIFIC RAILWAY COMPANY.

We have examined the Books and Records of the Canadian Pacific Railway Company for the year ended December 31, 1942, and the related schedules therewith, we certify that in our opinion it is properly accounted for in accordance with the provisions of the Income Tax Act, and the Income and Profit and Loss Accounts correctly set forth the result of the year's operations.

The records of the securities owned by the Company at December 31, 1942, have been examined and found to be correct.

Montreal, March 5, 1943.

£2,727,000, which will reduce the carry forward to some £2,695,000. This company experienced a bad year in the marine market, and has apparently not yet seen the end of the losses occasioned by the entry of Japan into the war. The yields on these two shares are some 3½ per cent for General Accident and £3 15s. 6d. per cent. for London and Lancashire.

John Summers' Report

The full accounts of *John Summers* for 1942 disclose a rise in total profits of the company after depreciation from £880,366 to £1,075,504, while those of the group, after providing depreciation totalling £340,320 against £341,222, rose correspondingly from £942,002 to £1,165,281. Tax provision of the group increased from £401,029 to £575,545 and that of the company by only £85,000 to £510,000. As stated in the discussion of the preliminary statement in *The Economist* of April 10th, ordinary dividends on the "A" and "B" stock were each raised 2½ points to 8½ and 4½ per cent respectively, covered by earnings of £426,602 against £297,304. The cover for the "A" ordinary dividend has risen from 10.6 to 13.8 per cent, and that for the "B" shares by 8.7 points to 15.1 per cent. General reserve receives £10,000 more at £150,000 than in 1941, while a new War Contingencies reserve of £50,000 is created. The carry forward is increased some £11,000 to £185,183. No statement has been made by the chairman, Mr R. F. Summers, but the balance-sheet confirms the impression that the group has considerably expanded its activities, primarily through the operation of the new strip mill. The consolidated balance-sheet shows a reduction by some £545,000 to £1,189,494 in stocks, probably a reflection of the current shortage of materials, coupled with an expanding output of finished products. Cash holdings are higher at £918,116 against £704,928, and

which have been rendered unnecessary by present operating methods and traffic conditions. A branch line from Lardeau to Gerrard in the Province of British Columbia, 33.1 miles in length, was abandoned during the year and the investment written off. Various miscellaneous properties and portions of facilities no longer required in operation were also written off.

The profit and loss balance at the close of the year was higher \$30,864,547 than at the end of 1941.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

the latter figure including £150,000 tax certificates. It is clear from a rise of £550,000 to £4,200,000 in fleet replacement account that there have been further losses, but it is impossible to gauge their amount. Owing to payments for new ships, there is an improvement of only £52,000 to £1,950,641 in net liquid assets, while the *King Line* statement shows a jump of nearly £293,000 to £930,987 in the same item. The £1 ordinary stock of *Royal Mail* at the current price of 23s. ex dividend yields £5 4s. 4d., while at 35s., the £1 ordinary shares of *King Line* yield some £7 2s. 10d. per cent.

The Selfridge Experience

The full accounts of the Selfridge companies and the statement of the chairman, Mr H. A. Holmes, on results for the year to January 31 last, make relatively encouraging reading. It was already clear from the preliminary statement, discussed in *The Economist* of April 3rd last, that there had been a substantial recovery in gross profits of *Selfridge and Co.*, the operating concern. Mr Holmes considers that this company realised its full share of the general improvement in retail trading which took place in central London last year. Despite the fact that the dividend paid to *Selfridge (Holdings)*, which was raised from 6 to 12½ per cent, was almost wholly absorbed in prior charges, the chairman points out that significant headway is being made in paying off these liabilities. The "A" Secured Income Redemption Stock, which has just received £17,708, is now reduced to £82,292. Its elimination will mark an important step forward. The most serious implication for the future of equity capital is the fact that the total reservation of £280,000 for taxation does not fully meet tax liability on current income of the operating concern. Ranking as a new company, it will for some years find taxation a heavy burden. The management is more than justified in its conservative allocation of resources, and not least in its provision for deferred repairs. Without deducting inter-company transactions, the balance sheet of the operating company shows a rise in net liquid assets which amount to £917,120 against £715,650. The *Selfridge (Holdings)* statement still contains much dead wood in the shape of accumulated losses not yet written off, but the improvement in earning power provides hope of ultimate recovery. The 1, 6 per cent, cumulative preference stock now stands at 16s. 9d.

Alliance Trust

Despite the falling off in income from the Far East, the decline from £649,599 to £641,668 in gross revenues of Alliance Trust for the year to January 31 last is very slight. Interest on borrowed money, at £106,108, is just below the 1941-42 level, while taxation requires some £2,000 more at £252,780. Thus, there is a modest reduction in equity earnings from £211,796 to £199,454, representing 36.2 against 39.4 per cent on the ordinary stock, which receives 25 per cent as usual. The management is able to transfer £60,000 to contingencies, against £75,000, and to raise the carry forward from £63,358 to £64,999. In the previous year, the full effect of the loss of income from investments in the Far East and Malaya had not made itself felt, but the chairman, Mr. J. Prain, pointed out that revenue from those interests amounted to less than 2½ per cent on the ordinary stock. In fact, equity earnings have declined by 3.2 per cent, without any marked rise in total charges, so that there may also have been some reduction in income from investments nearer home. The directors state that there has been a small improvement in mortgage business, but, as yet, no striking recovery in the demand for land. Investments stand in the balance-sheet at cost at £11,231,756, against £11,353,345. There is a reduction in secured loan and bank advances from £133,563 to £124,910. Despite this, and a greater decline in creditors than in debtors, cash items are up from £13,456 to £49,819. The directors are confident that the market value of investments exceeds the balance-sheet figure. The £100 ordinary stock at 560 ex dividend yields £4 9s. 3d. per cent.

DIVIDEND NOTICE

Toronto,
April 16, 1943.

Crosse and Blackwell Accounts

The full Crosse and Blackwell accounts for 1942 show a rather different picture than was suggested in the note on the preliminary statement in *The Economist* of April 24.

1943. Gross revenue is reduced from £825,180 to £741,186, but a sharp fall in tax provision from £632,654 to £504,319, and in debenture interest from £79,000 to £57,000, leaves the net amount well up. It is thus possible to transfer £62,138 against nil for deferred repairs before arriving at equity earnings of 8.0 against 7.7 per cent for 1941. After raising the ordinary payment from 4 to 5 per cent, £13,948 against £15,043 is placed to general reserve, and enough remains to raise the carry-forward from £17,458 to £18,632. The £1,179,564 of 6½ per cent first mortgage debentures were replaced at September 30th by a secured bank loan of £600,000 bearing interest at 4½ per cent. The gross annual interest charge will thus amount to some £27,000 against an average payment on debentures of some £85,000. The directors attribute the high level of gross profits to the benefits derived from the new plant, but there has apparently been a marked rise in costs which has prevented the realisation of record earnings. The company's balance sheet shows an interesting shift in net borrowing from subsidiaries and associates of £11,950 to net loans to these concerns of £99,387. The consolidated statement shows, despite the net repayment of £500,000 of longer-term debt, a decline in net liquid assets from £628,220 to £279,584 only, for which a rise in creditors from £1,338,035 to £1,559,358 is partly responsible. Stocks are somewhat lower, but the maintenance of output will depend primarily on rationing policy. The group is working solely on Government contract, and there is every prospect that it will be able to maintain the increased dividend in the immediate future unless supplies are restricted. The 1s. ordinary stock at 1s. 7½d. yields £3 1s. 6d. per cent.

Sudan Plantations

Both *Sudan Plantations* and the main cotton producing subsidiary *Kassala Cotton* earned less in the year to June 30, 1942. Profits of the former dropped by nearly £50,000 to £678,523; those of the latter by nearly £22,000 to £126,058. Despite this, both concerns raised their dividends by 2 points to 10 per cent. The increased distribution is to some extent justified by the rise in equity earnings of *Sudan Plantations* from 14.5 to 16.4 per cent and in those of the subsidiary from 12.8 to 15.8 per cent. Yet, this improvement is in each case due solely to the reduced provision for income tax—£150,000 against £250,000 in the case of *Sudan* and £30,000 against £60,000 in the case of *Kassala*. The reduction cannot be fully explained by the decline in disclosed profits and is presumably due in part to over-provision in the previous year. In the circumstances, the decision to raise the ordinary payment appears a little over-optimistic, despite the fact that adequate transfers have been made to general and Gezira reserves. It remains highly probable that the 10 per cent level, last paid in both cases in 1937/38, will not be maintained. The concerns have suffered from difficulty in obtaining an adequate supply of fertilisers and from a labour shortage. There is, of course, no limit to the demand for the cotton and salt output of the group, but there are exceptional transportation hazards as well as generally rising costs.

Recovery of Waste Material

The urgency of the shipping situation necessitates the utmost economy in the use of materials and in the reclamation of all recoverable products. A special drive for the reduction of scrap has been set on foot, and Sir Stafford Cripps recently called for the co-operation of managements and workpeople throughout the country. He stressed the rôle which joint production committees could play, and the recent AEU inquiry showed that the elimination of scrap was an item which frequently appeared on the committees' agendas. While the committees can be instrumental in ensuring that care is exercised in the factory, the best plan is probably to appoint a special officer to look after scrap. The committees can also help in seeing that finished and partly processed materials are used with the strictest economy and do not lie idle. The collection and reclamation of scrap nationally is organised by the Ministry of Supply, the Iron and Steel Control being responsible for all ferrous metals, the Non-Ferrous Metals Control for all non-ferrous metals, except for aluminium, magnesium and

The balance sheet of *Sudan* shows an improvement in net liquid assets from £2,990,514 to £3,234,068 and that of *Kassala* a reduction from £202,631 to £127,792. These movements are, however, less significant than the fall in cotton stocks common to both concerns. That of the parent is down from £2,907,797 to £1,309,284; that of the subsidiary from £644,485 to £344,508. For *Sudan Plantations*, there is a corresponding increase in holdings of cash items—tax reserve certificates amounting to £450,000 having been acquired—for *Kassala Cotton*, the rise in cash items is smaller, but the loan from the parent is reduced from £112,817 to £711. The directors say little about the future of the group, or about the situation which will arise when the agreement with the Sudan Government is terminated, at the latest in 1950. There are substantial reserves; those of *Sudan Plantations*, including the carry-forward, amount to £2,773,586 and exceed the total of fixed assets less specific reserves by £759,779. The £1 ordinary shares of this company, at 41s. 3d., yield £4 17s. per cent less UK income tax at 8s. 5d. and Sudan Business Profits tax at 1s. 7d. The net liquid assets, at balance-sheet valuation, give the shares a value of 26s. 1½d.

“Chartered” Accounts

The full accounts of the *British South Africa Company* show that the year ending September 30, 1942, was the most successful for several seasons. Total revenue, to which estate profits contributed, rose from £705,089 to £807,914. There is a welcome increase in income from dividends and interest, at £477,429 against £443,205, despite a marked decline in payments from the company's important Rhodesian copper interests. In the current period, there will, of course, be a dividend from *Mufulira*, whose payment of 11½ per cent against nil was received after the close of the financial year. The factor mainly responsible for the 1941-42 jump in income from investments is the increased dividend of 16 against 12 per cent paid last August by *Rhodesia Railways Trust*, which is controlled by "Chartered." The accounts of the latter show an increase in net profits of the sub-subsidiary, *Rhodesia Railways, Limited*, over the same period from £2,525,897 to £2,656,660. The replacement of a loss on citrus estates by a profit of £23,124 is apparently due to an improvement in local sales which more than offset the contraction in the export market. Despite a rise in tax provision from £275,288 to £327,198, there is an increase in the rate of equity earnings from 8.8 to 10.4 per cent. The shareholders receive 8½ per cent as usual and the surplus goes to raise the carry-forward from £638,763 to £718,404. The balance-sheet position is satisfactory. Investments stand at £8,109,320, of which quoted securities, included at £7,332,652, have a market value in excess of that figure. A year ago £7,166,588 of quoted securities, out of a total of £7,943,235, showed a depreciation of £475,509. Cash holdings are slightly lower and debtors and creditors higher, movements which reflect the more active trading which appears to have marked the past year. The 15s. stock, at 27s. 6d. ex dividend, yields £4 10s. 11d. per cent less tax at 8s. 5d.

Industry and Trade

metallic silicon, which are dealt with by the Light Metals Control of the Ministry of Aircraft Production. Directions have been given to firms about how to segregate scrap and to avoid mixing different grades, and advice is given about the best means of handling and disposing of scrap and marking the different types of metal. The same considerations apply to the recovery of waste oil; oil distributors throughout the country have been asked to find out what facilities their large consumers have for dealing with waste, how the reclaimed oil is disposed of, or, if not reclaimed, to inform the Oil Lubricating Pool. The recovery of scrap and oil may not seem to amount to much in the individual plant, but on a national scale the cumulative effects of economies are bound to be considerable.

Voluntary Labour

A great deal has been heard about the use of volunteer labour on the farms, but the possibilities of developing sparetime voluntary work in the factories are perhaps not

generally realised. The April issue of the *Production and Engineering Bulletin* gives an interesting account of the scheme for utilising voluntary labour which was adopted in one area. The various associations and unions catering for civil servants, teachers, bank officers, clerical workers, journalists and the like, were invited to co-operate by the local labour exchange, and volunteers from among their members were enrolled for week-end work. Such workers have been used for the production of cartridge cases, aircraft radiators and petrol tanks, among other things. Their standard of work cannot, of course, compete with that of ordinary full-time employees, and their net addition to the national output of munitions is probably small. But the fact that they are volunteers means that their enthusiasm for work is likely to be great, and it may also happen that a particular bottleneck is broken as a result of their employment, which has saved regular employees from working Sunday time or overtime. In one factory, the fact that volunteers passed through preliminary pressing over 4,000 shell cases on a Sunday enabled the regulars to complete 16,000 cartridge cases on the Monday, thus exceeding any previous Monday's production. Such schemes, like those for homework described in *The Economist* of February 27th, are also valuable from a psychological point of view. They should be given every encouragement, as well as the schemes for recruiting women for regular part-time work. There are now approximately 600,000 part-time women in industry and further increases are hoped for.

Planning Britain's Roads

In its recent report on the Post-War Development of Highways, the Institution of Highway Engineers emphasised the need for a bold improvement in Great Britain's road system. The result of the policy of improving and adopting existing roads has been "a totally inadequate system of traffic-congested roads." There is need for the re-planning of the highway system, which should provide "a means of safe, speedy, cheap and comfortable transportation of people and goods between the main centres of population and industry, wherever they now exist or where they will ultimately exist." The road system envisaged by the IHE would consist of

- (1) A skeleton network of high-speed roads to accommodate long-distance mechanical transport.
- (2) A secondary system of mixed traffic roads connecting neighbouring industrial areas and serving as feeder roads to the main high-speed routes, and as link roads connecting such routes and existing trunk roads on the outer ring of centres of industry and population.
- (3) Local pathways accommodating all classes of road users from industrial areas to recreational centres.
- (4) Minor roads to serve mainly local requirements.

The high-speed roads, or motorways, would be reserved for motor traffic only. The system need not consist in its entirety of new roads; there are many miles of existing trunk roads which, in the opinion of the Institution, could very cheaply and simply be adapted to form two-carriage-way high-speed routes and be fitted into the network. It is rightly emphasised that the planning of motorways should be undertaken by a national planning authority, and that its construction and maintenance should be financed from a central fund. The secondary system of mixed-traffic roads should be designed on the model of existing trunk roads; link roads connecting motorways with existing trunk routes should be sited and designed for the heavy loads which will be carried by the roads they connect. The Institution stresses the need for adequate safety provisions on all roads. There can be no doubt that the adaptation of Britain's highway system to modern traffic requirements should be an important item on the agenda for physical reconstruction. Except for local and minor roads, it must be planned nationally with reference to needs and means and to other forms of transport.

THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT
DIVIDEND

NOTICE IS HEREBY GIVEN that a dividend of ten shillings and sixpence per £5 Share will be paid without deduction of British Income Tax, but less Egyptian Government and Alexandria Municipal Taxes amounting to 1/4.1028, making 9/1.8972 net on Coupon 108 on and after the 15th day of April, 1943, at the National Bank of Egypt in Alexandria at Rue Toussouri or in London at 6 King William Street, E.C. 4.

Dated Alexandria, Egypt, the 12th April, 1943.

By Order of the Board,

T. D. KEY
ROBERT WALTON } Joint Managers.

Electrical Development

Although the electrification of Great Britain made rapid headway during the pre-war decade, the scope for further development remains very large. The British Electrical Development Association has prepared a programme designed to enable it to give the electrical industry full assistance in increasing the efficiency of its service to the public after the war. The association envisages improvements, such as the speeding up of the standardisation of voltages; the provision of increased facilities for the hire purchase and maintenance of apparatus, and for advice and guidance to the public; and the provision of a technical service designed to assist industrial consumers with their problems. The rate of progress in electrification after the war will depend very largely on the ability of the industry to make its services available cheaply and conveniently compared with other sources of heat, light and power.

World Wheat Supplies

The broad picture of world wheat supplies, as sketched in the January issue of *Wheat Studies*, is one of abundance, but of abundance mainly in the major exporting countries, accompanied by scarcity in other regions cut off from the granaries by the war, or having only limited access to them by reason of transport difficulties. Continental Europe's total supplies for the season 1942-43 seem to be smaller than in either of the two preceding years. In Russia the breadgrain position is stated to be uncomfortable, but not desperate. Last year's wheat crop in the British Isles is estimated at about 125 million bushels (against 90 millions in 1941 and

WHEAT SUPPLIES IN THE FOUR MAJOR EXPORTING COUNTRIES
(U.S., CANADA, ARGENTINA, AUSTRALIA)
(Million bushels)

Crop Year (a)	Initial Stocks	New Crop	Total Supply	Domestic Use	Surplus	Exports
1934-39 (b)	412	1,378	1,790	952	838	435
1939-40	636	1,613	2,249	956	1,293	504
1940-41	789	1,734	2,523	956	1,567	451
1941-42	1,116	1,649	2,765	974	1,791	370
1942-43	1,421	1,957	3,378	...	...	...

(a) July-June for the United States; August-July for other countries. (b) Average.

72 millions in 1938), "the largest harvest in more than 75 years," but has nevertheless to be supplemented by substantial imports. As the accompanying table shows, the combined supplies in 1942-43 of the four major exporting countries—United States, Canada, Argentina, Australia—are enormous, compared with pre-war averages. They represent "the combination of the largest carry-over in history with the second largest crop in history, smaller only than that of 1928," and would provide for a year's domestic use, a normal carry-over, and exports more than four times the annual average exports of the five pre-war years. The existence of such vast supplies will greatly assist in the speedy relief of starving peoples after the war.

Towels or Stockings

In putting towels on the clothing ration, Mr Dalton has caused friction in the home. The housewife with a grown-up family finds it almost impossible to keep the household supplied with towels, since it can only be done by the sacrifice, by an unwilling daughter, of new stockings, gloves or scarf. The Board of Trade says the family should pool its coupons; the housewife (represented by the women delegates to the Co-operative Party conference last week-end) declares that "it is usually the housewife who has to provide the coupons." In theory the Board of Trade is right—in practice the housewife. The issue of special coupons for household linens, as suggested by the Co-operative Party conference, would not equate supply and demand, but if it were practically possible to ration household goods, other than furniture, on a points system like the clothing ration, every member of the family would then be on an equal footing, and replacements of other scarce household equipment would be easier. If necessary, the clothes ration could be slightly reduced; probably one coupon less per head would be more than sufficient to provide all the household linens required.

(Continued on page 571)

COMPANY MEETINGS

ROYAL EXCHANGE ASSURANCE

223rd ANNUAL REPORT

SUCCESS IN ALL DEPARTMENTS

INCREASED TOTAL PROFIT

DIVIDEND OF 30 PER CENT.

LORD BICESTER'S SURVEY

The two hundred and twenty-third annual general court of the Royal Exchange Assurance was held, on the 28th ultimo, at the Royal Exchange, London, E.C.

The Rt. Hon. Lord Bicester (the Governor) was in the chair.

The general manager and secretary (Mr Alexander MacDonald) having read the notice convening the meeting and the report of the auditor,

The Governor said:—

Gentlemen.—It is now two years since I have personally given a review of our work in the form of an address at the annual general court. In the meantime the address has each year been sent in printed form to the stockholders with the annual report and accounts. Now it seems we should be interpreting better the wishes of the authorities if we reverted to our customary practice, and I should add that for the same reason we have this year also considerably curtailed both the form and size of our annual report.

With your permission I will take the report and accounts of the Royal Exchange Assurance for the year ended December 31, 1942, as read.

No changes have taken place either on our court of directors or among the executive staff during the year under review.

LIFE DEPARTMENT

In referring first to the work of the life department, the premium income at £1,405,000 is some £20,000 in excess of the amount received in 1941. After allowing for re-assurances, the new business for 1942 amounted to £2,215,000. I am particularly gratified that this year still fewer policyholders have found it necessary to surrender their policies, the amount in this connection being only £53,000, which is nearly £45,000 less than in 1941 and £75,000 less than in 1940. In a desire to help any of its assured who are meeting with exceptional difficulties in these unusual times, the Corporation has always been ready to give most sympathetic consideration to every case, believing as it does that the sound principles of adequate life insurance were never more potently demonstrated than in such circumstances as those through which we are all now passing.

The amount paid in claims by death shows an increase of £42,000. As in 1941 the amount paid is somewhat heavier than would be the case in peace time, but if allowance is made for the premature claims arising from war causes, the experience in comparison with the most modern standard table for assured lives is satisfactory. Of the amount of mortality loss in 1942 which can be attributed to direct war causes, 97 per cent. arose from casualties to members of the fighting Services.

RATE OF INTEREST ON LIFE FUND

With regard to interest income arising from our life fund, the gross rate of interest earned during the year 1942 was £4 4s. 8d. per cent. per annum, or 2s. per cent. per annum less than the corresponding figure for 1941. The Corporation has supported the issues of the various war loans to its fullest powers, but it is self-evident that with the rate upon new moneys so invested being lower than the average rate earned upon the fund's invested portfolio to date,

there must be a gradual decrease in the overall yield. Nevertheless at whatever temporary cost to the Corporation there remains the merit of being a potent factor in helping to shoulder the gigantic financial burdens that the war has laid upon the whole country. While this situation must be accepted during the period of intense strain, it is essential that in the years following peace more scope should be exercisable in the choice of investments, in order that institutions such as our own may again be able to play their part in contributing to the financial requirements of business and industry.

ANNUITY DEPARTMENT

The business of the annuity department is somewhat larger than last year, but the capital redemption account again shows a reduction. As mentioned in my last address, it is the considered policy of your directors not to seek for any increase in either of these fields, at any rate for the time being.

The year's work of our trustee and executor department has been satisfactory. This is a business which calls for an immense amount of detailed supervision and, in consequence, the continued depletion of staff owing to war necessities has greatly added to the burden falling on those responsible for this branch of our activities.

FIRE ACCOUNT

I am happy to be able to present to you this year an excellent fire account.

Our total net premium income on the combined sections of home, general foreign and the United States amounted to £1,645,000 as against £1,636,000 for the year 1941. While this increase is attributable to the home section, it is somewhat surprising to see that our income in the general foreign field practically held its own with the previous year. In the first half of last year conditions in the home fire business were not promising, resulting from a heavy loss experience throughout Great Britain for that period, and although later conditions improved, the total home losses for the year were very heavy. Meanwhile a campaign to bring before the public the extreme importance of fire prevention, as a very tangible means of helping the country's war efforts, was inaugurated under the auspices of the fire offices committee. It is as yet too early to say whether the improvement in losses by fire recently experienced will be maintained, but it is to be hoped that every success will accompany the efforts to impress on the public the importance of fire prevention now being made.

Turning to the foreign field, we have reason to be satisfied with the results. It was only in the early part of last year that the effect on our business of the entry of Japan into the war began to be felt, and you will remember that we had important interests in the Far East, particularly in the Netherlands Indies and China. In this connection I should like to extend our sympathies to Messrs Butterfield and Swire, our esteemed agents of so many years' standing in China, and to our other connections in those parts of the world who are now undergoing so many trials. It is our hope that the good will which we have for so long enjoyed in the Far East will not experience any prolonged severance.

The United States figures show some improvement on those of twelve months ago.

Taking our fire business as a whole, and including interest, there is this year available a sum of £182,000 which we propose transferring to profit and loss account, a result which is most satisfactory.

MARINE DEPARTMENT

You may remember that in my opening remarks when reporting to you on the work of our marine department last year, I emphasised that the entry of Japan into the war would most surely increase the difficulties that would have to be faced by those undertaking marine insurance business. This proved to be so. Further, at the beginning of the year the American market in which the Corporation has for many years been interested, found itself faced with heavy and exceptional losses for which no previous provision had been made in respect of the terms under which the insurance business was undertaken. As a result, in common with all other British offices operating in the United States, the business received through our agents there has been, for the year in question, adversely affected.

Nevertheless, conditions in the market here have continued to develop not unfavourably. In particular, I would like to mention the recent setting up of a joint cargo committee. As you know, for many years there has been a joint hull committee, the influence of which has greatly facilitated the satisfactory transaction of hull business, and tended to prevent hull rates from fluctuating too widely, a benefit which I know is regarded by shipowners as desirable.

By the work so far completed the newly established joint cargo committee has already shown its usefulness, especially in the agreement reached, which became effective on the fifteenth of this month, for putting into force combined marine surcharges. We welcome the setting up of this committee and trust that the useful work it has already done will be but the forerunner of benefits which it will bring to the conduct of cargo business in the London market.

It is just five years since the Corporation undertook the reorganisation of its marine department, and I am happy to say that we can again make a transfer in this year's accounts to profit and loss. The amount we propose transferring is £50,000. The marine fund thereafter will stand at £1,079,000, or 132 per cent. of the premium income. Your Court is pleased to feel that this fund contains a surplus larger than a year ago, but it should be realised that heavy calls for deferred repairs may be made on us in the future.

ACCIDENT DEPARTMENT

In reviewing the year's work of the accident department, I am glad to be able to tell you that very satisfactory results have been obtained in the face of increasing difficulties. You will appreciate that there has been an inevitable reduction in private motor car insurances, but it is gratifying to know that we have succeeded in retaining our quota of the commercial vehicles which are still on the roads, and we also have a fair share of the insurance of Government vehicles used by the National Fire Service and the Civil Defence Organisation.

Quite apart from our motor insurance business, our accident income is well spread, and on the whole of the home account the premiums have been maintained within 8 per cent. of the previous year's figure. It is perhaps not fitting to comment now upon the possible future of workmen's compensation business seeing that this and many other insurance problems are having the earnest consideration of His Majesty's Government, but I do feel entitled to say that the established insurance companies have provided the maximum service which their organisations are capable of giving.

in handling workmen's compensation insurance, and that in this respect, as in very many others, private enterprise has stood the test of time.

The year's experience in our overseas accident business shows the maintenance of a well-balanced portfolio notwithstanding the loss of premiums from enemy-occupied countries. Where there is a reduction in volume compared with the 1941 account, this is principally due to deliberate policy on the part of the Corporation. This policy has had a considerable influence on the aggregate figures I am now submitting to you, and contributes to a substantial surplus from overseas as well as from our operations at home. The combined account has produced a profit of £185,000 which I feel sure you will agree is a matter for congratulation.

PROFIT AND LOSS ACCOUNT

It will perhaps be more convenient if at this point I deal with the general profit and loss account of the Corporation. It will be of particular gratification to you to see that in this year's account the results of the departments of our business have disclosed the value of a powerful team all pulling their weight. In years past, one or other of our three departments of fire, accident and marine have shown excellent results individually, but rarely have they all had such a uniformly successful year.

This year has brought excellent results from all three, so that with the inclusion of the profit from the trustee department, an amount of £428,000 has been brought into profit and loss as against £283,000 from the same sources in 1941 and £212,000 in 1940.

Our nett receipts in respect of general interest show a higher figure than last year, and I shall have a word to say on this point in a moment. The items on the expenditure side do not, I think, call for any special comment except perhaps to refer once again to the heavy amount necessitated for provision for taxation. Altogether the balance on general profit and loss account, which as you are aware constitutes also our general reserve, is now £1,204,000, which amount has been carried to the balance-sheet.

It may seem strange to you that at a time when interest rates are at such low levels and when institutional investors such as ourselves are not only accumulating large sums in Government securities but are also having substantial amounts of securities hitherto held converted into others bearing in their turn a lower rate of interest, that the income from our investments should not have shown a larger decrease on pre-war figures.

LARGER DIVIDENDS FROM ASSOCIATED COMPANIES

But one of the contributing causes lies in the receipt of larger dividends this year from two of our associated companies, the Car and General Insurance Corporation and the Motor Union Insurance Company, Limited. Both these companies have now experienced a long period of successful trading, but it has required that time to establish them in their present strong financial position, and this could only have been done by the old-fashioned, but none the less eminently sound, policy of ploughing the profits back into the business. The attainment of financial strength seldom permits of being in a hurry, and while both these companies could have made a larger contribution to our income at an earlier date, your directors have deemed it prudent to exercise patience over a fairly long period.

DIVIDEND

You have already been informed of your directors' recommendation to pay a final dividend of 19 per cent. for the year 1942, and I shall presently ask for your confirmation of this proposal. This dividend, together with an interim dividend of 11 per

cent., paid in November last, will make a total dividend of 30 per cent., less tax, on the capital stock of the Corporation for the year 1942.

You will have gathered from what I have already said that the "Car and General" and the "Motor Union" have again experienced a successful year's business. The "Car and General" has reported a nett premium income for the year of £1,818,000, and an underwriting profit of £167,000. Their total assets now amount to £3,027,000.

Likewise the "Motor Union" shows a nett premium income of £1,311,000 for 1942, resulting in an underwriting profit of £139,000, while the assets of that company have now reached £3,439,000.

The "State" has also had a reasonably good year, but the National Provincial Insurance Company is still very naturally feeling the effect of war conditions prevailing in the particular sphere of business in which it is principally engaged, and this year it has not been considered prudent for them to pay their usual dividend.

TRIBUTE TO STAFF

This brings me to the end of my annual review of the actual results and figures in connection with the year's work of the Corporation, but there are a few further points on which I should like to touch. We are now in the fourth year of war. Many things that four years ago we should have thought abnormal are now being accepted as the accompaniment of everyday existence, but it would not be right to accept the results of the year's work of the Corporation without reflecting what has gone to their making, in extra strain and exertion on the part of all those who remain with us and have contributed to them. Like everyone else, we are working now with a very depleted staff, and this applies not only to the head office but to our branch offices both here at home and abroad. As a Corporation we are, as you know, with other companies acting as agents for the Government in operating both the War Risks Commodity Insurance scheme and the War Damage Act, Part II. The work on both these tasks grows no less, but we are further represented on local technical (fire prevention) committees, and on committees to assist the Ministry of Food in the salvage of food and feeding stuffs, while acting also on Board of Trade committees in the settling of claims under the War Risks Insurance Act, and helping in the war effort in many other directions.

In pre-war days our staff in the United Kingdom alone numbered 1,185, of which 839 were men. Of this latter number, 465 have been released for war services, which amounts to 55 per cent. of the pre-war number. From our foreign branches no less than 135 men are now serving in various capacities connected with the war. Many of our female staff have also joined the Services, and we recognise that those remaining with us are now undertaking many forms of work in civil defence in addition to their duties at the office.

These figures reflect the serious gap that now exists in our pre-war personnel and gives a vivid picture of the extra burden placed upon those remaining. I am grieved to say that up to the present we have received news that 20 have already given their lives for their country on active service, and in paying tribute to their memory we send our deepest sympathy to their relatives and friends. Four civilians among our number have died through enemy action and we equally mourn their loss. We remember also those who are posted as "missing," and those who, as prisoners of war, are undergoing the hardship and loneliness of captivity in enemy countries.

That is the price of war, but, bitter as it is, no hazard must stand in the path of victory.

I think we can all feel that the Royal Exchange and those who carry on its work are playing a direct part in helping on the country's cause, and while the role may be unspectacular, the general economic life

of the nation must be kept going, whether it be in business or elsewhere, and the call on those of us serving the Corporation at home is no less than it is to those who are upholding our cause abroad. But I should like to take this occasion, on your behalf, to express our great appreciation of the efforts that have been made this year by our general manager, the executive and staff, our local boards and agents both here and overseas, to the end that the affairs of the Corporation may prosper. I have no fear that if it is humanly possible to do so this record of service will be maintained, and provided no unforeseen misfortune overtakes us, that the future welfare of the Corporation and the safekeeping of its traditions, built up over 223 years, may be left safely in the hands of those who have produced the excellent results I have had the gratification of presenting to you today.

The Governor then invited questions from stockholders and, none being asked, moved: "That the printed report and accounts of the Corporation for the year 1942 be adopted."

Mr Charles L. Dalziel (the sub-Governor) seconded the resolution, and it was carried unanimously.

The proposed further dividend of 19 per cent., making 30 per cent., less tax, for the year, was approved.

The auditor, Sir Nicholas E. Waterhouse, K.B.E., was reappointed, and the proceedings then terminated.

NORTH BRITISH AND MERCANTILE INSURANCE COMPANY, LIMITED

DIVIDEND MAINTAINED

The one hundred and thirty-third annual general meeting of this company was held, on the 6th instant, in Edinburgh.

The following is an extract from the statement to the shareholders by the Hon. Arthur O. Crichton, the deputy-chairman of the general court of directors.

Life Department.—The net new business for 1942 amounted to £2,394,670, as compared with £1,945,348 for the previous year. Claims by death or maturity amounted to £2,317,640 after deducting re-assurances. Of this sum, £206,128 represents claims directly due to the war. The consideration for annuities granted amounted to £152,379 by single payment and £51,441 by annual premium.

Fire Department.—The premium income showed practically no change, while the loss ratio at 43.02 per cent. was higher by .37 per cent. Loss experience was again satisfactory both at home and from all main fields abroad. The underwriting profit of 8.19 per cent. compared with 7.66 per cent. for the preceding year. Net interest on investments increased by £6,260.

Casualty Department.—Our casualty business is transacted by the Railway Passengers' Assurance Company. The premium income was £63,966 less than in 1941, and the loss ratio at 46.37 per cent. was higher by 1.51 per cent. The underwriting profit was 13.07 per cent., compared with 12.67 per cent. in the previous year. Net interest was slightly down at £72,641.

Marine Department.—Premiums of the Ocean Marine Insurance Company, Limited, increased by £389,210 over the figure for 1941. Claims and expenses together were heavier in percentage. Net interest was £43,447, against £41,611. £100,000 has been transferred to profit and loss account from profits of past years now closed.

The combined underwriting profit, fire, casualty and marine, was £623,004 against £556,348 in the previous year, which under the continuing difficult conditions the directors feel the shareholders will consider satisfactory. We are recommending the same rate of dividend as last year.

LONDON ASSURANCE

SATISFACTORY YEAR'S OPERATIONS

The annual general court of the London Assurance will be held, on the 5th instant, in London.

The following is an extract from the statement by the Governor, Mr R. Olaf Hambro, on the report of directors and balance-sheet.

The life department new business for 1942 totalled £1,710,734, which represents a relatively substantial increase over that of the previous year. The premium income amounted to £863,078, and the fund as at the close of the year was £11,708,027, being an increase of £389,540 over that of the previous year.

The fire department premium income at £2,513,057 represents an increase of £67,128 over the previous year. Claims paid and outstanding show a ratio of 43.4 per cent. compared with 45.8 per cent., and commission and expenses of management are 48.9 per cent. compared with 49.5 per cent. The amount transferred to profit and loss account, after providing for the increase in the reserves of £26,851 for unexpired risks, is £164,226, or 6.5 per cent. of the premium income; a very substantial improvement over that of the previous year.

The accident department premium income at £1,362,661 shows a slight decrease of £23,751, which is remarkably small. The amount transferred to profit and loss account is £253,752, or 18.6 per cent. of the premium income, compared with 15.5 per cent. in the previous year.

The premium income in the marine department shows an increase of £1,163,547, the figure for 1942 being £2,627,400. After transferring £250,000 to profit and loss account, the marine fund stands at £2,421,874 compared with £2,087,179 brought in at the commencement of the year.

AGRICULTURAL MORTGAGE CORPORATION LIMITED

INCREASED FOOD PRODUCTION

The fourteenth ordinary general meeting of the Agricultural Mortgage Corporation, Limited, was held on the 29th ultimo in London.

Sir Harry Goschen, Bart., K.B.E. (the chairman) said that during the year just ended they had completed further long-term advances of £395,556, bringing their grand total of loans up to £14,293,083 secured on first mortgage of 962,560 acres.

He was glad to be able to report a further reduction of over 30 per cent. in the arrears of interest and capital repayments. More than 95 per cent. of the amounts which fell due during the year had been paid by March 31st, and the total of all arrears represented only slightly more than one-quarter of 1 per cent. of the aggregate of loans outstanding.

The farming year of 1942 was another year of triumph in the effort for increased food production. The total amount of human food produced from our land had been increased by more than 70 per cent. since 1939. Whilst harvest conditions were difficult in the west and north west, elsewhere what was probably the country's greatest harvest of all time was gathered with little loss.

As to the balance-sheet, cash and free investments now totalled over £3 millions, all of which was available for employment in long-term loans when the demand arose. They hoped that in the near future there might be many opportunities for the corporation to be of further assistance to the farming industry and that in the post-war planning of agriculture they might be enabled to fill to the full their main function of providing long-term credit to agriculture on the most favourable terms.

The report was unanimously adopted.

THE ALLIANCE TRUST COMPANY, LIMITED

APPRECIATION OF INVESTMENTS

STATEMENT BY THE CHAIRMAN MR JAMES PRAIN

The annual ordinary general meeting of the Alliance Trust Company, Limited, was held, on the 30th ultimo, at the company's office, Dundee.

The following is the statement of Mr James PRAIN (the chairman), which was issued with the report:—

It has been decided to discontinue for the time being the practice of issuing separately a report of the proceedings of the annual meeting: my customary review of the position of the company will not be addressed, therefore, to that meeting, but is submitted herewith along with the directors' report and statement of accounts. The proceedings of the annual meeting will be confined to the formal resolutions and to the transaction of any other competent business which may arise.

SATISFACTORY RESULTS

The results of the past year, as shown in the revenue account, do not call for much comment on this occasion. At our meeting a year ago I informed you of the extent of our interests in those areas in the Far East which were in enemy occupation. The figure I gave you at that time of the income we expected to lose in a full year was an amount equivalent to rather less than 2½ per cent. on the ordinary stock. The actual result shows that we have collected revenue during the year of £641,668, which falls short of that of the previous year by some £8,000, a reduction of less than 1 per cent. on the ordinary stock. It follows, therefore, our experience from our investments generally has been reasonably satisfactory, and this, together with a small improvement in the collections from the mortgage business, has served to mitigate the immediate effects on our finances of the military reverses in the Far East.

THE DIVIDEND

On the expenses side of the account the charge for income tax is somewhat heavier this year owing to the fact that in the early months of the previous year interest and dividends were still paid to us under deduction of tax at 8s. 6d. in the £, while in the period under review the standard rate of 10s. was deducted from us throughout. The result then is that there is available for distribution, after discharging our obligations to the holders of debenture and preference stocks, an amount equivalent to 36 per cent. on the ordinary stock. From this we have set aside £60,000 to the general contingent fund and we propose, for the sixth year in succession, to pay a dividend of 25 per cent. and leave a modest amount to increase the carry forward.

IMPROVEMENT IN STOCK EXCHANGE VALUES

A review of the conditions which have prevailed during the past year would not be complete without some reference to the very considerable improvement in Stock Exchange values which has taken place. The upward movement has been most marked in the last six months of 1942; in that short space of time a list of some of our representative industrial ordinary shares shows on the average a rise in market value of from 20 per cent. to 25 per cent. This movement has not been confined to ordinary shares; under a strong demand for stocks of any reasonable investment quality, debenture and preference stocks have also moved upwards but to a lesser extent. The scope for appreciation here is limited by the nature of the stocks and by the fact that in many cases adjustment to conform to the existing low rates of interest had already taken place to some extent. The effect of this general rise in values as applied to a varied list of securities, such as we hold

in this company, would show a very substantial improvement indeed overall, and therefore a considerable surplus over book cost. The precise figure is not of any great moment, for, as is being increasingly recognised, these Stock Exchange valuations, which are here today and gone tomorrow, are not of any permanent import. The true criterion of an investment company's position is its ability to earn and to maintain income at a reasonable level.

FACTORS AFFECTING THE SITUATION

I am not suggesting, of course, that nothing can ever be learned from Stock Exchange movements. In more normal times a major movement such as this would indicate confidence in a trade revival bringing in its train prosperity and increasing returns. A good example of this was in the year 1933, when after a long period of depression signs of trade revival were at last discerned and there followed a sharp and sustained upward movement on the Stock Exchanges comparable in extent to what has taken place in 1942. The appreciation which took place then in our investments was to us a matter of some significance, opening up as it did a prospect of a period of more satisfactory revenue collections, an expectation which was subsequently fulfilled. No such promise accompanies the buoyant markets of 1942. It is well known that the present situation has arisen from a combination of factors—the officially controlled rate of interest, the avenues for investment abroad not only closed but the traffic reversed by repatriation of large sums invested overseas—resulting in an investment demand of considerable volume.

THE OUTLOOK

The outlook—the immediate outlook—for our business remains little changed. Nothing comparable with the loss of our possessions in the Far East has occurred to affect us adversely in the current year. Some loss of revenue is bound to result from the redemption or conversion of debenture stocks by companies which can take advantage of the present low interest rates to arrange their borrowings on terms more advantageous to themselves. The effect of dwindling supplies in certain trades and the outcome of the policy of concentration which is now being applied to industry must also give rise to some uncertainties. But, broadly, the process of adjustment to wartime conditions is well on the way. The effect of the Excess Profits Tax is now known; the operation of this duty effectively prevents higher returns to the investor. I am hopeful, however, that our earnings in the current financial year will not be greatly dissimilar to those we now submit for your approval.

GENERAL CEYLON RUBBER AND TEA ESTATES, LIMITED

The forty-fifth annual ordinary general meeting of this company was held, on the 22nd ultimo, in London.

The following are extracts from the statement of the chairman, Mr J. Gilroy Annan, circulated with the report and accounts:—

It is satisfactory that the financial position is a strong one. All export coupon issues and operations necessitated under the Ceylon tea and rubber ordinances were eliminated as from June 1st last and the 1942 crops amount to: Tea 2,566,950 lb. and rubber 1,893,281 lb. The entire output of Ceylon tea and rubber is purchased at the basic rates on behalf of the Ministry of Food and the Ministry of Supply respectively. There will, therefore, be no further public auctions locally.

The estates generally are in good order, but the cost of production continues to rise, and it is impossible to make any accurate forecast of what costs over a given period will be, and estimates these days can only be considered as guides.

The report was adopted.

SELFRIDGE (HOLDINGS) LIMITED

CONSIDERABLY IMPROVED RESULTS

HEAVY TAXATION PROVISION

MR H. A. HOLMES'S STATEMENT

The annual general meeting of Selfridge (Holdings) Limited was held, on the 30th ultimo, at 400 Oxford Street, London, W. 1.

The following is quoted from the statement of the chairman, Mr H. A. Holmes, circulated with the report and accounts:—

Before attempting to review the figures, I would again emphasise that Selfridge (Holdings) Limited owns the share capital of Selfridges Limited, the separate company which was formed two years ago to operate the business.

SELFRIDGES LIMITED

The balance of trading profit of Selfridges Limited, after making full provision for depreciation of leaseholds, fixtures and plant and all other expenses, and after reserving £25,000 for deferred repairs, is £441,324 against £296,758. In this time of emergency it is not possible for us to undertake to the normal extent the outlays necessary under this heading, and in transferring £25,000 last year and a similar sum in the present accounts to reserve for deferred maintenance, we are only creating a fund which will eventually be required to undertake the arrears which, meantime, must be cumulative.

After deducting interest on debenture stocks, £55,802, and setting aside under the terms of the trust deeds £32,011 for the redemption of debenture stocks, the net profit for the year is £353,511, an increase of £150,541 over the figure a year ago.

RESERVE FOR TAXATION

The matter of taxation is one which has had to be very carefully considered by your board, as we recognise that the best qualified opinion has accepted the principle of making full reserve for all taxation liabilities arising from profits earned to date, although some considerable portion of such liability may not become payable for a year or so ahead. Owing to the method of computing income tax payable by new companies during their earlier years, and for this purpose Selfridges Limited is so regarded, it is, under prevailing rates of taxation, only possible to create a full reserve over a period. Therefore, after providing the sum of £180,000 for the estimated balance of taxation applicable to the year ended January 31, 1943, the directors have, in addition, set aside a further £100,000 to start a reserve for future taxation. This figure will not fully meet the estimated liability due on January 1, 1944, but it is a big contribution towards it and we hope to make up the full reserve as soon as practicable.

The making of these heavy and exceptional taxation appropriations has had the effect of reducing drastically the balance of profit available for distribution, which, after bringing in £24,970 from last year, amounts to £98,481. After declaring a dividend of 12½ per cent., less tax, requiring £62,500, which has been paid to Selfridge (Holdings) Limited, and transferring £10,000 to staff benevolent account, there remains a balance of £25,981 to be carried forward to next year.

PRUDENT FINANCE

It will be observed that the capital reserve of £1,074,639, which was created against the book value of freehold and leasehold properties, remains the same and that the further reserves consisting of sinking funds for redemption of debenture stocks, reserves for future taxation and

deferred repairs together with unappropriated balance of profit and loss account have increased during the year by £158,021 to £2,766. The prudent financial treatment of the profits to which I have referred, will, I feel sure, commend itself to you. I need not stress that a conservative policy is calculated to build up a position of strength which will when the war is over enable the business to face with confidence any conditions which may arise. The growing strength of our financial position is indicated by the large increase in the current assets which have risen from £1,092,297 to £1,422,606 against current liabilities of £505,586, which have only increased by £128,839. Current assets include stock in trade, which is again higher at £747,810 as compared with £523,812, and cash and investments which have risen from £447,336 to £588,899.

It is fortunate that my prognostications a year ago regarding the curtailment of supplies proved to be premature, but it is very evident now that this factor will become more serious for the remainder of the war period. It would not be wise, therefore, for us to anticipate anything but leaner times in the immediate future, but I have the greatest confidence in the post-war outlook, when not only current requirements, but much in the way of arrears of consumer goods, will have to be met over a period.

SELFRIDGE (HOLDINGS) LIMITED

Having dealt with the figures of the operating company and the special appropriations to the reserves of that company, the effect of the transfers has necessarily restricted the dividend paid to Selfridge (Holdings) Limited, although the net income from this source is more than doubled at £62,500 as against the corresponding figure of £30,000 a year ago. Inclusive of this dividend, the total income for the year is £79,975. After meeting the outgoings for ground rents, interest and other expenses as shown in the profit and loss account, amounting to £30,221, there is a net surplus for the year of £49,754 as against a comparable figure of £11,339. After adding the balance brought in from last year, £15,365, the sum to be dealt with is £65,119.

In accordance with the terms of the scheme of arrangement approved two years ago, 70 per cent. of the distributable balance (up to a maximum of £63,307 per annum) must be applied to reducing the amounts owing to the secured creditors. Accordingly £17,708 is allocated towards the redemption of the "A" secured income redemption stock, £5,312 towards redemption stock and £10,968 in reduction of mortgages, leaving a balance of £31,131, which the directors recommend be carried forward to the next account. I might remind you that when the balance of the "A" secured income redemption stock, which is about to be reduced to £82,292, is cleared off, the amount of income to be applied to repay secured creditors will drop, so that the maximum repayments in any one year will not exceed £29,974, against the present maximum of £63,307.

SHARES IN OPERATING COMPANY

The shares in the operating company appear at the nominal value of £1,000,000, but the real value will depend on future earnings, and even on the returns made during the last two years it would not be difficult to justify a much higher valuation. There is no change in the figure of £1,204,305, representing the properties forming the northern site, which must be regarded as a frozen asset during the war emergency period.

My references to the reserves in the operating company and the repayment of indebtedness by the parent company make it clear to stockholders that their capital position and future prospects have considerably improved during the year.

INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

UNPRECEDENTED DEMAND FOR NICKEL

The annual general meeting of the International Nickel Company of Canada, Limited, was held, on the 28th ultimo, at Toronto.

Mr Robert C. Stanley (chairman and president), in the course of his address, said: At the last annual meeting I discussed at some length the expansion project which had been undertaken at an estimated cost of \$35,000,000 to increase our output of nickel in all forms by 50,000,000 pounds per annum over the 1940 production rate. I am pleased to report that this work is being promptly and satisfactorily completed and we are already producing nickel at the rate which was forecast last year. It is, moreover, gratifying to say that no financial aid from Government or from banks has been needed for this programme.

Distribution of nickel, now restricted to essential war uses, remains entirely under the direction of Governmental agencies. Heavy demand continues, and at times seems to be insatiable. The impression held by the public may be that an acute shortage of nickel has existed and still exists. The facts are that, while we have strained our production facilities to the utmost, essential deliveries of nickel have been made promptly, and no shut-downs of essential war production are known to have occurred due to failure of nickel supply. The situation in recent months has progressively improved, due to our increased output, to the accelerated return of nickel-bearing scrap to steel mills and to the constructive conservation measures which have been adopted by Governments and industry.

We continue to be the largest producer of copper in the British Empire and the world's largest producer of the platinum metals.

TAXATION AND PROFITS

Net profit after provision for taxes is \$33,301,829, comparable with \$34,356,401 in 1941. While the dollar volume of business in 1942 was only slightly less than the previous high figure of 1941, costs increased to an amount greater than could be offset by gains from operating efficiencies. The great increase in taxes is exemplified by a comparison with 1937, the most profitable year in the company's history. In 1937, when our average selling prices were higher and production costs lower, profit was \$60,650,514 before tax provision of \$10,350,890, whereas in 1942 profit was \$57,781,114 before tax provision of \$25,079,285. A comparison of dividends and taxes per share of common stock for the same years is even more striking. In the year 1937 shareholders received \$2.25 per share and tax provision amounted to 71 cents per share, while in 1942 shareholders received \$2.00 per share and taxes were \$1.72 per share.

POST-WAR POLICY AND PLANNING

At this time, with ultimate victory certain, we must further intensify rather than slacken our efforts to end the war. It is, moreover, the duty of industrial management to prepare now for the return of peace. This your company is doing, and I believe that our accomplishments during the war, coupled with intelligent planning at this time, foreshadow equally satisfactory accomplishments in the post-war period. One needs only to visualise the endless procession of trucks, tanks, planes and ships moving to the fighting front in order to realise the diversified usage of nickel in war material. The principal reason for this great demand for nickel is its intrinsic value as an alloying metal. More manufacturers are now using nickel than ever before and are becoming familiar with its qualities. It is quite probable that many war-time uses of today will become peace-time uses of tomorrow.

(Continued from page 566)

Silver and Platinum as War Materials

The British Government's request to the United States and Canada for lend-lease supplies of silver, discussed on page 502 in *The Economist*, on April 17th, suggests that the use of silver for industrial purposes is making progress in this country. So far the United States apparently continues to be the pioneer in this latest field of silver utilisation. The great bulk of the US Treasury's free silver stock has been assigned to the State-owned Defence Plant Corporation, which is using it for "non-consuming purposes" in war plant. This means mainly employment as "bus bars" and other concentrated electrical wiring in magnesium, aluminium, graphite, synthetic phenol, and similar works which are dependent on a regular and large supply of electricity. The silver thus employed frees large quantities of copper for munitions production, although the silver itself is not "consumed," and—being lend-leased only—will have to be returned to the Treasury after the war. In addition, the United States war industries have large supplies of silver available for "consuming purposes," i.e., for machine parts and alloys such as solder and bearing metals. Virtually the whole of the current United States silver imports are now being utilised for these purposes. In future imports are likely to be supplemented by a substantial part of the supplies of "domestic silver." Until last autumn all supplies of US domestic silver (which costs 71.11 cents per ounce, against 45 cents for foreign silver), had been absorbed by the United States Mint, but after the introduction of restrictions on the use of foreign silver in November, 1942, civilian users, despite the high price, absorbed the whole of the current output. Under a conservation order, introduced at the end of

February, the use of domestic silver for non-war purposes has been cut to one-half of the use in either 1941 or 1942. This measure, together with a further tightening in the restrictions for foreign silver, will, according to the War Production Board, allow the conservation of 25,000,000 ounces of silver per annum. These additional supplies will almost certainly be utilised for essential industrial purposes.

*

Besides silver, platinum has recently become an important war metal. As was pointed out on page 343 in *The Economist* on September 12, 1942, the United States Government last year imposed a strict control over platinum stocks and sales in order to prevent any supplies from falling into the hands of the Axis. This preventive measure has since the beginning of this year been supplemented by a general prohibition to use platinum, platinum-bearing metals, or compounds for jewellery purposes. Announcing that prohibition, the War Production Board stated that platinum is needed for many vital war purposes for which substitutes are not available, and that accessible supplies of platinum are "only just about equal to essential needs." As the jewellery trade has until late last year been the chief platinum-consuming trade, and accounted for over two-fifths of total consumption, the new order at once released substantial supplies of the metal for war needs. Moreover, current production of platinum is increasing with the growing Canadian copper and nickel output, which provides over one-half of the world's platinum supplies as by-product. (The main war uses of platinum were described in *The Economist* on September 12, 1942. In its announcement of the new conservation order, the US War Production Board referred to another vital war use, as wire in radio valves, and other communications equipment.)

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

BOTH before and after the holiday, turnover in the markets tended to contract, although there was a fair amount of speculative activity in home rail shares and diamond issues. Nevertheless, demand for stock was sufficient to raise *The Financial News* ordinary share index to a new peak at 98.5. The gilt-edged market was dull throughout, some selling after the holiday

of long-dated and irredeemable stocks reducing quotations, while short-dated issues were hardly steady. Almost the only feature of the foreign rail market was a general advance of around one point for Japanese bonds. San Paulo 7 per cent stock was prominent among Brazilian loans, and there was some support for Greek and Portuguese stocks. Speculative demand in the home rail market reached its peak before the holiday, but several advances were recorded later. On balance, GWR and LMS ordinary issues were outstanding, with advances of 2½ and 2½ points, respectively, while among the marginal preference issues Southern preferred rose 3½ points.

Argentine rail stocks responded on hopes of a revision of the exchange rate, debenture stocks rising a point and more, with smaller gains for the junior issues.

The industrial market was quiet, but not without interest. Brewery shares were firm, Meux and Ind Coope rising 1s. 3d., although Guinness lost 1s. Tobacco shares were virtually unchanged. Movements in the motor and aircraft section were irregular, Leyland, Albion and Bristol Aeroplane weakening, while De Havilland rose 1s. 6d. among several smaller gains. In the heavy industrial section, Whitehead Iron and Allied Ironfounders were prominent, but gains nowhere exceeded a few

COMPANY MEETINGS—continued

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY, LIMITED

TOTAL INCOME EXCEEDS £10,000,000

The eighty-second annual general meeting of the Royal London Mutual Insurance Society, Limited, was held, on the 27th ultimo, at Winchester House, London.

Mr J. K. Wiseman, joint managing director, in presenting the directors' report and statement of accounts for 1942, said:— During the past year we have given every assistance in our capacity to the war effort, both as regards manpower and financially.

Our financial assistance to the war effort is represented by a subscription of £4,364,000 to War Loans. Our total subscription since the outbreak of war amounts to £12,000,000.

The total income for the year amounted to £10,150,000, an increase of £506,000. This is the first time our income has exceeded £10,000,000, and is another milestone in our history.

The combined premium income amounted to £8,179,000, an increase of £429,000 over the previous year.

The total claims and surrenders paid

during the year amounted to £3,646,000, and the amount added to the funds as provision for future payments was £3,853,000, these two items together totalling £7,499,000. War claims paid during the year amounted to £140,000, including £41,000 on the lives of civilians killed by enemy action. This brings the total war claims paid to £525,000.

The total claims already paid by the Society since its foundation now amount to £65,148,000. The total funds, which are required as part of the provision for future payments to policyholders, amount to £55,473,000.

The premium income in the ORDINARY BRANCH for the year (including consideration for annuities granted) amounted to £2,133,000, an increase of £105,000 over the previous year. The new sums assured amounted to £3,324,000. The amount paid in respect of claims and surrenders amounted to £1,253,000. The amount disbursed in surrenders showed a further reduction, a satisfactory feature reflecting present-day conditions.

In the INDUSTRIAL BRANCH the premium income for the year amounted to £6,045,000, showing the handsome increase of £356,000 over the previous year. Claims and surrenders amounted to £2,389,000.

The BALANCE-SHEET shows that the assets total £55,754,000, an increase of £3,848,000 over the previous year. Stock Exchange securities represent 78.2 per cent.

of the total, the remainder consisting mainly of mortgages, loans on public rates, freehold and leasehold properties and ground rents. The report and accounts were unanimously adopted.

GENERAL ACCIDENT FIRE AND LIFE ASSURANCE CORPORATION, LIMITED

The annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, was held, on the 28th ultimo, at Perth.

Sir Francis Norie-Miller, Bt., presided, and the following are extracts from his statement circulated with the report and accounts:—

The satisfactory results demonstrate the strength of the foundations upon which our great company is built. We propose adding another 2s. 6d. per share to the paid-up ordinary capital, making the total share capital £1,500,000, and I hope it will be possible to make the shares fully paid in the future. We have a general reserve of £2,000,000. We have also an investment reserve of £988,000. We have a staff pension fund of almost £600,000, £100,000 provided for war contingency reserve, and specific reserves in the departments of over £17,000,000.

The report was adopted.

New York

pence. Among textile stocks, Courtaulds and Patons & Baldwins advanced 1s. 3d. and 2s., respectively. Apart from a fall of 1s. 7½d. for Cunard ordinary on the chairman's statement, shipping shares lacked interest. Elsewhere, Cable & Wireless ordinary advanced strongly on hopes of an increased distribution and despite later profit-taking rose 5 points on balance. London Brick and United Glass Bottle were also prominent with gains of 1s.

Speculative interest at the Cape was transferred from *kaffirs* to *diamond* shares. Recent results occasioned a strong demand for De Beers, the ordinary rising 1½, and for Consolidated Diamonds, which rose 5s. 6d. Apart from some buying of Blyvoors, interest in gold shares declined, many of the Rand dividend-paying issues weakening on doubts regarding the coming payments. Rubber shares were steady, and there were several gains for leading Indian and Ceylon tea shares. Oil shares were neglected, but quotations for leading issues were virtually unchanged on balance. A minor feature was a gain of 10½d. for Canadian Eagle.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
April 15.....	5,682	2,442	98.1	136.4
" 16.....	5,834	2,705	98.0	136.4
" 19.....	7,050	3,192	98.2	136.4
" 20.....	5,719	2,758	98.1	136.3
" 21.....	5,318	2,515	98.3	136.2
" 22.....	5,246	2,732	98.3	136.2
" 23.....	5,011	2,506	98.3	136.2
" 26.....	Closed	3,192	98.4	136.1
" 27.....	5,224	2,657	98.5	136.1
" 28.....	4,950	2,703	98.5	136.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 94.1 (April 8); lowest, 84.1 (Jan. 4). 20 Fixed Int. 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). † New basis in S.E. List. ‡ Old basis.

COMMODITY AND INDUSTRY NEWS

Machinery, Plant & Appliances.—Under the Machinery, Plant and Appliances (Control) (No. 4) Order (S.R. and O., 1943, No. 536), which came into force on April 19, 1943, a new class embracing certain apparatus for the projection of still pictures is added to those already listed in the previous Order (S.R. and O., 1942, No. 2487) and certain of the classes already listed are amended. In particular, the range of electrical machinery and plant previously licensable has been changed, mainly by restriction. Much of the matter thus decontrolled by the Board of Trade is licensable by the Minister of Supply under the Control of Industrial Electrical Equipment (No. 1) Order, 1943 (S.R. and O., 1943, No. 533), in force on the same date.

Retail Furnishing Wage Increase.—The National Joint Industrial Council for the Retail Furnishing and Allied Trades has decided to increase minimum weekly rates of wages, as a result of an application by the workers' side. For branch managers and manageresses the increase is 4s. a week where the weekly trade is under £150. Where trade is between £150 and £200 the increase is 5s. weekly. All other male employees are to receive an extra 2s. to 4s. a week, according to age, and the corresponding rise for women will be 1s. 6d. to 3s. a week. The increases begin on the first pay-day after April 26th.

Toilet Preparations.—A general licence (S.R. and O., 1943, No. 575) dealing with the use of petroleum products in the manufacture of controlled goods has been issued by the Board of Trade under the Toilet Preparations Order, 1942. Hairdressers who made toilet preparations before October 1, 1941, and are not registered in Part I of the Toilet Preparations Register may now make up for use in their saloons only small quantities of liquid petroleum products which were purchased before January 1, 1942. This concession refers only to stocks of liquid petroleum products not exceeding five gallons. Individual

DESPIITE occasional speculative support, quotations and, particularly, turnover fell away steadily on Wall Street, prior to the Easter holiday. Immediately after, however, on the belief that the recent decline had completed the readjustment of quotations, the market rallied strongly. The war news provided an additional stimulus, speculative and investment support resulting in numerous advances, many of which were later reduced by intermittent profit-taking.

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

	1943		Apr. 7, 1943	Apr. 14, 1943	Apr. 21, 1943
	Low Jan. 6	High Apr. 7			
347 Industrials.....	81.1	95.5	95.5	92.4	93.5
32 Rails.....	72.6	95.2	95.2	90.0	93.2
40 Utilities.....	67.9	79.8(a)	79.0	77.9	79.8
419 Stocks.....	78.5	92.8	92.8	90.0	91.3
Av. yield %*.....	5.36	4.63	4.63	4.81	4.75

* 50 Common Stocks. (a) April 21.

DAILY AVERAGE OF 50 COMMON STOCKS

April 8	April 9	April 10	April 12	April 13	April 14
115.5	110.9	111.7	111.1	111.1	112.2
April 15	April 16	April 17	April 19	April 20	April 21
113.1	112.8	113.3	113.1	112.7	113.7

1943: High, 117.4, Apr. 6; Low, 99.5, Jan. 2.

licences must still be obtained in respect of such stocks when they exceed 5 gallons and in respect of all stocks of petroleum jelly.

Starch and Dextrine.—The Minister of Food has made the Starch and Dextrine (Control) Order, which replaces the previous Order (S.R. and O., 1942, No. 2487) and certain of the classes already listed are amended. In particular, the range of electrical machinery and plant previously licensable has been changed, mainly by restriction. Much of the matter thus decontrolled by the Board of Trade is licensable by the Minister of Supply under the Control of Industrial Electrical Equipment (No. 1) Order, 1943 (S.R. and O., 1943, No. 533), in force on the same date.

Closed Cotton Mills.—From the inception of the concentration of production scheme in the Lancashire cotton industry, writes a correspondent, the directors of the closed mills have been dissatisfied with their position. Originally the rate for care

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

	1943		April 20, 1943	April 21, 1943
	April 15, 1943	April 16, 1943		
Crops.....	117.9	117.6	117.3	118.1
Raw materials.....	182.3	182.3	182.3	182.3
Complete Index.....	146.8	146.4	146.2	146.8
	1943		April 20, 1943	April 21, 1943
	April 22, 1943	April 23, 1943		
Crops.....	118.2	118.0	Bank Holiday	117.6
Raw materials.....	182.3	182.3	182.3	182.3
Complete Index.....	146.8	146.7	146.5	146.8
	1943		April 20, 1943	April 21, 1943
	Mar. 31, 1937	Aug. 31, 1939		
Crops.....	147.9	92.2	115.5	118.2
Raw materials.....	207.3	122.9	172.7	182.3
Complete Index.....	175.1	108.4	141.3	146.8

* Highest level reached during 1932-37 recovery.

Total share dealings: April 15, 1,392,000; April 16, 903,000; April 17, 459,000; April 19, 907,000; April 20, 732,000; April 21, 1,141,000; April 22, 1,249,000; April 23, Closed; April 24, 642,000; April 26, 1,125,000; April 27, 828,000; April 28, 880,000.

* 00 Two-hour session only.

Capital Issues

Week ending	Nominal Capital	Conversions	New Money
May 1, 1943	£587,491,190	£577,579,465	£650,826,922

Particulars of Government issues appear on page 573.

Year†	U.K.		Foreign Countries	
	£	£	£	£
1943.....	576,203,780	1,375,685	Nil	
1942.....	646,588,067	109,308	37,488	

† Includes Government issues to April 20, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Nature of Borrowing (Conv. Excl.)
Year† Deb. Pref. O.T.
1943..... 571,516,581 659,837 5,403
1942..... 643,316,499 187,423 3,350,941

† Includes Government issues to April 20, 1943, only. Above figures include all new capital in which permission to deal has been granted.

ISSUES TO SHAREHOLDERS ONLY

Brown (E. G.) and Co., Ltd.—Subject to sanction at an extraordinary general meeting on May 7th, the directors have decided to issue 1,000,000 ordinary 2s. shares at 4s. 6d. per share, to rank *pari passu* with existing shares, payable in full on application. These new shares will not be entitled to participate in the interim dividend of 10 per cent, payable May 4, 1943.

F. Francis and Sons.—Issue of 50,000 5½ per cent cumulative preference shares £1 at par to rank for dividend as from April 30th, and *pari passu* in all other respects with the existing preference shares.

and maintenance was £7,000 per year for a 100,000 spindle mill. The demand for more favourable terms resulted in the sum being raised to £10,000. The owners of the closed mills are still dissatisfied, and recently they discussed with the Master Spinners' Federation the making of an application to the Board of Trade for an increase to £12,500 a year. The owners of many mills agreed to support the claim, although not unanimously. Recently the financial position of some nucleus concerns has been adversely affected by increased expenses due to higher wages and costs; some cases have been reported of yarn production being affected by the labour situation. It is widely recognised that the chief difficulty for stopped mills will be re-starting at the end of the war.

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

	Daily Average Sales		Stks. (at cost) end Feb.
	1942	1943	
Dec. Jan. Feb.			

(a) By Commodities					
Non-food Merchandise.....	- 6.6	- 30.3	- 25.5	- 8.3	
Piece-goods.....	- 0.6	- 27.0	- 24.6	- 25.2	
Men's and Boys' Wear.....	- 4.4	- 34.3	- 40.9	- 4.4	
Boots and Shoes.....	- 6.2	- 23.6	- 17.0	- 17.8	
Furnishing Departments.....	- 14.7	- 9.9	- 10.2	- 12.1	
Hardware.....	- 17.7	- 8.8	- 9.6	- 11.8	
Fancy Departments.....	+ 6.5	+ 6.0	+ 5.0	+ 23.4	
Sports and Travel.....	- 21.1	+ 0.8	+ 2.4	+ 29.4	
Miscellaneous.....	+ 8.8	+ 5.0	+ 1.7	+ 7.4	
Total.....	- 2.8	- 18.9	- 14.3	+ 9.1	
Food and Perishables.....	- 1.2	+ 1.8	+ 1.1	+ 21.1	
Total.....	- 1.9	- 8.5	- 6.8	+ 10.1	

(b) Districts					
Scotland.....	- 1.1	- 5.1	- 7.1	- 8.4	
North-East.....	- 2.5	- 5.3	- 5.1	+ 9.1	
North-West.....	- 3.0	- 6.5	- 9.1	+ 1.1	
Midland and S. Wales.....	- 4.4	- 6.3	- 6.6	+ 9.1	
South England.....	- 5.8	- 8.6	- 9.7	+ 13.4	
Central and West-End London.....	+ 14.7	- 12.7	- 1.8	+ 21.4	
Suburban London.....	+ 1.9	- 1.8	- 3.7	+ 17.1	
Unallocated.....	- 5.2	- 6.1	- 8.2	- 2.1	

Source: Board of Trade Journal.

Finance

GOVERNMENT RETURNS

For the week ended April 24, 1943, total ordinary revenue was £44,028,000, against ordinary expenditure of £90,148,000, and issues to sinking funds of £110,000. Thus, including sinking fund allocations of £463,077, the deficit accrued since April 1st is £248,815,000 against £214,397,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to April 25, 1942	April 1 to April 24, 1943	Week ended April 25, 1942	Week ended April 24, 1943
ORDINARY REVENUE				
Income Tax.....	50,149	58,451	11,499	13,755
Sur-tax.....	4,030	3,962	660	960
Estate, etc.,	9,500	7,413	2,565	2,310
Duties.....	2,718	1,498	650	560
Stamps.....	2,240	1,500	490	200
N.D.C.....	13,965	23,875	2,940	5,439
E.P.T.....	60	40	10	20
Other Inland Rev.	80,662	95,739	18,814	23,244
Total Inland Rev.	25,837	33,012	5,770	10,999
Customs.....	13,914	15,800	6,914	6,400
Excise.....	39,751	48,812	12,684	17,399
Total Customs & Excise.....	1,613	1,015	...	134
Motor Duties.....	13,483	...	8,989	...
Canadian Govt. Contribution.....	1,600	600	1,050	1,000
Post Office (Net Receipts).....	160	140	160	140
Wireless Licences.....	261	345	206	129
Crown Lands.....	3,379	4,628	611	1,982
Receipts from Sundry Loans.....	140,909	151,279	42,514	44,028
Miscell. Receipts.....	5,100	5,800	1,200	1,400
SELF-BALANCING P.O. & Brdcastg.	146,009	157,079	43,714	45,428
Total.....				

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to April 25, 1942	April 1 to April 24, 1943	Week ended April 25, 1942	Week ended April 24, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	33,061	34,936	1,120	1,287
Payments to N. Ireland.....	327	335	327	335
Other Cons. Fund Services.....	269	259	236	226
Total.....	33,657	35,530	1,683	1,848
Supply Services.....	321,326	364,100	87,726	88,300
Total Ord. Exp.	354,983	399,630	89,409	90,148
SELF-BALANCING P.O. & Brdcastg.	5,100	5,800	1,200	1,400
Total.....	360,083	405,430	90,609	91,548

After decreasing Exchequer balances by £180,914 to £2,583,671, the other operations for the week (no longer shown separately) raised the gross National Debt by £46,250,073 to £17,111 million.

NET ISSUES (£ thousands)
P.O. and Telegraph..... 200

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Apr. 16th and Apr. 29th. (Figures in brackets are par of exchange.)
United States. \$ (4.863) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4.863) 4-43-47; mail transfers 4-43-47. Switzerland. Francs (25-22½) 17-30-40. Sweden. Krona (18-159) T.T. 16-85-95, bank notes at Bank of England, 17-40. Argentina. Peso (11-45) 16-95½-17-13, not quoted from April 27 onward. Dutch West India. Florin (12-11) 7-58-62; mail transfers 7-58-64. Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 100-00-100-00; mail transfers 99-80-100-30. Brazil. 83-64½ cr. 84-02-04; mail transfers 84-02-04. Uruguay. 1-6597 p. (buying). Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate)

FLOATING DEBT
(£ millions)

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1942						
Apr. 25 1943	920.0	1757.3	251.7	17.0	487.0	3432.9
Jan. 23 1943	1030.0	1770.8	231.7	24.0	980.5	4027.0
Feb. 6 1943	1020.0	1770.8	231.7	24.0	980.5	4027.0
" 13 1943	1010.0	1770.8	231.7	24.0	980.5	4027.0
" 20 1943	990.0	1770.8	231.7	24.0	980.5	4027.0
" 27 1943	980.0	1829.7	230.1	24.7	1000.5	4065.1
Mar. 6 1943	975.0	1829.7	230.1	24.7	1000.5	4065.1
" 13 1943	975.0	1829.7	230.1	24.7	1000.5	4065.1
" 20 1943	975.0	1829.7	230.1	24.7	1000.5	4065.1
Apr. 3 1943	975.0	1829.7	230.1	24.7	1000.5	4065.1
" 10 1943	975.0	1829.7	230.1	24.7	1000.5	4065.1
" 17 1943	975.0	1829.7	230.1	24.7	1000.5	4065.1
" 24 1943	990.0	1867.2	203.8	...	1043.5	4104.5

TREASURY BILLS
(£ millions)

(₹ millions)					
Date of Tender	Amount			Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted		
1942				s.	d.
Apr. 24 1943	75.0	133.0	75.0	20	3-15
Jan. 29	75.0	161.0	75.0	19	11-57
Feb. 5	75.0	158.7	75.0	19	11-80
" 12	75.0	141.6	75.0	19	11-85
" 19	75.0	152.7	75.0	19	11-85
" 26	75.0	159.2	75.0	20	11-86
Mar. 5	75.0	161.7	75.0	19	11-68
" 12	75.0	164.5	75.0	20	0-29
" 19	75.0	169.9	75.0	20	0-58
" 26	75.0	157.4	75.0	20	1-82
Apr. 2	75.0	150.6	75.0	20	2-39
" 9	80.0	164.3	80.0	20	5-87
" 16	85.0	159.2	85.0	20	2-77
" 23	90.0	153.1	90.0	20	2-85

NEW YORK EXCHANGE RATES—Continued

New York on	April 21	April 22	April 23	April 24	April 25	April 26	April 27
Cable transfers	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2	402 1/2
London	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2
Paris	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2
B. Aires	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2
Rio	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2	25 1/2

* Official buying rate 29.78. † Free rate 37.00. \$ Bid.

PROVINCIAL BANK CLEARINGS
£ thousands

Working days	Week ended	Aggregate from Jan. 1 to
	April 25, 1942	April 24, 1942
Birmingham	1,960	2,119
Bradford	2,148	1,568
Bristol	2,576	630
Hull	594	489
Leeds	770	785
Liverpool	4,971	3,533
Manchester	10,237	10,630
Newcastle	1,270	1,537
Nottingham	415	587
Sheffield	728	792
Southampton	98	81

12 Towns..... 26,177 33,129 506,631 468,807

Dublin..... 6,253 6,939 113,118 121,244

* April 18, 1942, and April 17, 1943.

GOLD AND SILVER

The Bank of England's official buying price for gold remained at 168s. 6d. per fine ounce throughout the week. In the London silver market prices per standard ounce have been as follows:

Date	Cash	Months	Date	Cash	Months
April 15	23 1/2	23 1/2	April 22	23 1/2	23 1/2
" 16	23 1/2	23 1/2	" 23	23 1/2	23 1/2
" 19	23 1/2	23 1/2	" 27	23 1/2	23 1/2
" 20	23 1/2	23 1/2	" 28	23 1/2	23 1/2
" 21	23 1/2	23 1/2			

The New York market price of fine silver remained at 44 1/2 cents per ounce throughout the week.

NATIONAL SAVINGS
CERTIFICATES AND 3% AND 2 1/2%
BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2 1/2% War Bonds
Mar. 16	8,834	4,405	32,718	39,223
" 23	5,865	2,963	8,527	11,100
" 30	5,530	2,507	9,860	9,468
Apr. 6	6,484	2,695	19,059	8,783
" 13	6,434	3,170	11,885	19,581
" 20	6,933	3,128	9,599	13,775
" 27	...	...	4,000	6,391

Totals to date... 775,682* 563,815* 115,649† 247,655†

* 178 weeks. † 121 weeks. ‡ 22 weeks.

Interest free loans received by the Treasury up to Apr. 27th amounted to a total value of £55,819,606. Up to Apr. 24th, principal of Savings Certificates totalling the amount of £103,272,000 has been repaid.

OVERSEAS BANK
RETURNS

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

12 U.S.P.R. BANKS	April 25, 1942	April 22, 1942	April 15, 1942	April 8, 1942
Gold certifi. on hand and due from Treasury	20,475	20,337	20,294	20,275
Total reserves	20,826	20,740	20,596	20,670
Total cash reserves	332	362	359	354
Total U.S. Govt. securities	2,296	6,549	6,705	6,329
Total bills and securities	2,309	6,575	6,730	6,355
Total resources	24,335	28,834	29,497	28,852

P.R. notes in circulation... 8,714 12,839 12,905 12,970

Excess cash, bank res... 2,750 1,990 2,160 2,340

Mr. bank res. dep... 12,470 13,110 13,144 12,318

Govt. deposits... 2,431 2,113 1,238 471

Total deposits... 14,243 14,499 14,648 14,162

Total liabilities... 24,335 28,834 29,497 28,852

Reserve ratio... 90.7% 75.9% 75.1% 76.2%

BANK AND TREASURY

RESOURCES

Monetary gold stock... 22,686 22,541 22,501 22,482

Treasury & bank currency... 3,644 3,994 4,002 4,008

LIABILITIES

Money in circulation... 11,642 16,353 16,424 16,500

Treasury cash and dep... 2,432 2,442 2,363 2,707

BANK OF CANADA

Million Can. \$

Assets	Mar. 25, 1942	Mar. 10, 1942	Mar. 17, 1942	Mar. 24, 1942
Reserve: Gold	474.3	0.3	0.3	0.3
Other	595.1	991.6	998.0	1026.2
LIABILITIES				
Note circulation	503.6	702.7	707.9	710.8
Deposits: Bank, Govt.,	318.6	12.7	12.2	30.2
Chartered banks	230.3	246.9	247.1	251.3

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

SOUTH AFRICAN RESERVE BANK

Million £'s

Assets	Mar. 19, 1942	Feb. 26, 1942	Mar. 5, 1942	Mar. 12, 1942
Gold coin and bullion	46.55	62.55	63.53	61.91
Bills discounted	0.33	5.37	5.62	5.68
Invest. and other assets	58.26	83.02	82.74	82.54
LIABILITIES				
Notes in circulation	28.50	36.99	40.33	39.42
Deposits: Government	14.69	11.53	7.05	11.52
Bankers'	52.09	92.97	94.10	88.46
Others	4.85	4.83	5.30	5.64
Reserve ratio	46.8%	43.2%	45.7%	42.8%

RESERVE BANK OF INDIA

Million rupees

Assets	April 17, 1942	Mar. 26, 1942	April 3, 1942	April 10, 1942
Gold coin & bullion	444	444	444	444
Rupee coin	302	147	142	145
Balance abroad	485	873	842	809
Sterling securities	2,349	4,217	4,477	4,676
Ind. Govt. rtp. sec.	1,382	1,745	1,545	1,296
Investments	78	56	56	56
LIABILITIES				
Notes in circ.: India	4,083	6,436	6,514	6,694
Burma	288	288	361	310
Deposits: Govt.	409	470	411	470
Bankers	409	470	411	470
Reserve ratio	62.4%	71.1%	74.5%	79.0%

BRITISH WHOLESALE PRICES

CEREALS AND MEAT

Grain, etc.	Apr. 20, 1943	Apr. 27, 1943
Wheat	42 1/2	42 1/2
No. 1 N.Mt. 49 lb. f.o.b. St. J.	42 1/2	42 1/2
Eng. Gaz. av. per cwt. (e)	17 1/2	17 1/2
Flour per 280 lb.	38 3	38 3
Straights d/d London	38 3	38 3
Barley Eng. Gaz. av. per cwt. (e)	34 6	34 6
Oats (e)	16 1	16 2
Maize, La Plata, 480 lb. f.o.b.	13 10 1/2	13 10 1/2

MEAT—Beef, per lb.—

English long sides	5 4	5 4
Imported hinds	6 7	6 7
Mutton, per 8 lb.—English	5 2	5 2
Imported	5 2	5 2
Pork, English, per 8 lb.	8 0	8 0
Bacon (per cwt.)—Wiltshire, cut side	142 0	142 0
HAMS (per cwt.)—Green	147 0	147 0

OTHER FOODS

BUTTER (per cwt.)—All Grades

First hand..... 151 4 151 4

CHEESE (per cwt.)—

Home Produced..... 99 2 99 2

Imported..... 99 2 99 2

COCOA (per cwt.)—

Accra, g.f.,..... 45 0 45 0

Grenada fine..... 81 0 81 0

COFFEE (per cwt.)—

Santos, supr. c. & f..... Nom. Nom.

Costa Rica, medium to good..... 190 0 190 0

200 0 200 0

EGGS (per 120)—English..... 14 9 14 9

LARD (per cwt.)—Imported..... 64 0 64 0

POTATOES (per cwt.)—

English..... 5 0 5 0

5 6 5 6

SUGAR (per cwt.)—

Centrifugals, 96% prpt. shimp.

c.i.f. U.K./Cont..... 30 0 30 0

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

50 10 50 10

TOBACCO (per lb.)—

Indian stemmed and unstemmed..... 0 10 0 10

Rhodesian, stemmed and unstemmed..... 3 0 3 0

3 6 3 6

TEXTILES

COTTON (per lb.)—

Raw, Mid-American..... 7-80 7-80

Giza, F.G.F..... 10-55 10-55

Yarns, 36's Ring Beams..... 18-09 18-09

42's Cop Wt..... 17-80 17-80

60's Twist (Egyptian)..... 26-50 26-50

Cloth, per 100 yards..... s. d. s. d.

31 in. Printer, 64 x 64..... 35 11 35 11

36's & 42's, 32 in. Cambric Shirting, 32 in. 72 x 60, 24's & 24's..... 47 2 47 2

TEXTILES—continued

COTTON—continued

Cloth, Overall Cloth, 38" in.

52 x 50, 22's & 16's..... 51 0 51 0

Drill, 30 in., 80 x 46, 12's & 10's..... 73 10 73 10

FLAX (per ton)—

Lithuanian ZK..... Nom. Nom.

Pernau HD..... Nom. Nom.

HEMP (per ton)—Manilla, spot

"J2"..... Nom. Nom.

JUTE (per ton)—

Daisie 2/3 c. and f. Dundee..... 44/0/0 40/0/0

Common 8 lb. cops. (per spindle)..... 4 10 4 10

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, Apr. 40 9 42 3

May, f.o.b. Calcutta, 100 yds. 31 9 32 9

73/40..... 34 0 34 0

SISAL (per ton)—African, spot

No. 1 delivered..... 34 0 34 0

WOOL (per lb.)—

Lincoln wethers, washed..... 19 1/2 19 1/2

Selected blackface, greasy..... 14 1/2 14 1/2

Australian scord, fleece 70's..... 37 3/4 37 3/4

Cape scord, average snow white..... 29 1/2 29 1/2

N.Z. scord, 2nd pieces, 50-56's..... 24 24

TOPS

64's warp..... 45 45

56's super carded..... 39 39

48's average carded..... 31 31

44's prepared..... 29 1/2 29 1/2

MINERALS

COAL (per ton)—

Welsh, best Admiralty..... 37 9 37 9

Durham, best gas, f.o.b. Tyne..... 31 7 1/2 31 7 1/2

32 7 1/2 32 7 1/2

IRON AND STEEL (per ton)—

Fig. Cleveland No. 5, d/d..... 128 0 128 0

Bars, Middlesbrough..... 312 6 312 6

Steel rails, heavy..... 290 6 290 6

Tinplates (home, i.e. 14 x 20)..... 29 9 29 9

NON-FERROUS METALS (per ton)—

Copper (c)—Electrolytic..... 62/0/0 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

190/0/0 190/0/0

Nickel, home delivery..... 195/0/0 195/0/0

Antimony, English, 99%..... 120/0/0 120/0/0

Wolfram, Empire..... per unit 2/15/0 2/15/0

Platinum, refined..... per oz. 5/0/0 5/0/0

Quicksilver..... per 76 lb. 68/10/0 68/10/0

29/15/0 29/15/0

GOLD (per fine ounce)

168 0 168 0

SILVER (per ounce)—

Cash..... 1 11 1 11

1 11 1 11

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..... 51 0 51 0

CHEMICALS—

Acid, Oxalic net..... per ton 60/0/0 60/0/0

Nitrate of Soda..... per ton 65/0/0 65/0/0

Tartaric, English, less 5%..... lb. 4 4 4 4

Ammonia, Sulphate..... per ton 10/2/0 10/2/0

Nitrate of Soda..... per ton 10/14/0 10/14/0

Potash, Sulphate..... per ton 18/15/0 18/15/0

Soda Bicarb..... per ton 11/0/0 11/0/0

Soda Crystals..... per ton 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. 0 7 1/2 0 8

Queensland..... 0 7 1/2 0 7 1/2

Cape, 1 lb. burg Ord..... 0 9 1/2 0 9 1/2

THE CHARTERED BANK OF INDIA AUSTRALIA AND CHINA

(Incorporated by Royal Charter 1855)

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

West End Branch:

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 1837. **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 ... £2,500,000
 Currency Reserve ... £3,000,000
 Reserve Liability of Proprietors under the Charter ... £4,500,000
£13,500,000

Court of Directors:

D. F. ANDERSON, Esq. HON. GEOFFREY C. GIBBS.
 J. F. G. GILLIAT, Esq. EDMUND GODWARD, Esq.
 G. 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.
Manager: G. C. COWAN.

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. 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 ... 1,770,000
 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
 with 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 ... £2,257,341

DEPOSITS & CREDIT BALANCES

as at 27th Feb., 1943 ... £60,829,6

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30 BISHOPSGATE, E.C.

PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY, W.

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
 Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ... \$12,000,000
 Reserve Fund ... \$24,000,000
 Total Assets over ... \$400,000,000

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

Address enquiries to

London Branch:

108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager

NATIONAL BANK OF EGYPT

Incorporated in Egypt
 Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

FULLY PAID CAPITAL - £3,000,000

RESERVE FUND - £3,000,000

London Agency:

6 & 7 King William Street, E.C.

Branches in all the Principal Towns in EGYPT and the SUDAN

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts.)

THE UNITED MOLASSES COMPANY, LIMITED

NOTICE TO STOCKHOLDERS.

Owing to circumstances beyond the directors' control,
 publication of the accounts of the company for the year
 ending 31st December, 1942, will be delayed, and the seventeenth
 annual meeting of the company will therefore be postponed to
 such time as the accounts are available.

In the circumstances the directors, at a meeting held to
 declare a Second Interim Dividend of 12½ per cent (actual)
 income tax, together with a Cash Distribution of 2½ per
 cent (not subject to income tax) out of Capital Reserve payable
 on the 14th June, 1943, to the holders of the £1,954,500 Ordinary
 Stock in the capital of the company entitled to participate
 therein registered in the books of the company as at 7th 3
 1943.

It is not the intention of the directors at the annual gen-
 eral meeting to recommend a further dividend for 1942.

The Registers of the Ordinary Stock will be closed from
 7th May, 1943, to the 21st May, 1943, both dates inclusive.
 Dated this 27th day of April, 1943.

By Order of the Board.

Leighton Buzzard, Beds.

JAMES DON, Secretary

THE ECONOMIST

ESTABLISHED 1843

.CXLIV No. 5202

REGISTERED AS
A NEWSPAPER

MAY 8, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

A Hungry World - - -	577	Russia's Trade - - -	582
Crisis of Confidence - -	579	Japanese Americans - -	588
Trade Union Turning-Point	580	Eire's Supply Position - -	590

NOTES OF THE WEEK - - -	583	INVESTMENT - - -	594
The Citadel of Monopoly; Design for Gilds; Power to Bind; The Nation's Shelter; Defence and Attack; The Battle of the Narrows; Mobilisation; The Last Lap; The Aircraft Industry; The Coal Position; A Pioneer Passes; The Making of a Creed; The Ulster Government; Non-Belligerent Turkey; Germany's "Lost Youth"; Further Education; The Tuberculosis Scheme; Reunion Now.		Compensatory Equity Movements; A Brewery Fusion; Gaumont Reorganisation; Sir Percy Bates Explains; Synthetic or Natural; Yorkshire Amal- gamated Collieries; William Beardmore Report; Johnson and Phillips Improvement; Brush Electrical Progress; Central Mining-Rand Mines; West African Gold Mines.	
MERICAN SURVEY - - -	588	INDUSTRY AND TRADE - - -	599
Japanese-American Relocation; Coal Settlement? Prices; Current Basis; Mr. Jeffers Leaves Washington.		Coal Output; Tobacco off Lend-Lease; The Ministry of Food and "The Trade"; Coastal Tramp Shipping; Poultry Rations; Cotton Stabilisation; Prices of Non-Food Goods; The Sources of Sulphur.	
HE WORLD OVERSEAS - - -	590	COMPANY MEETINGS - - -	602
Eire's Supply Position; Towards Inflation in Bel- gium; Chilean Copper Supplies.		RECORDS AND STATISTICS - - -	604
NANCE AND BANKING - - -	593		
Big Bill Turnover; Lend-Lease Silver; Marketing the Silver; Bank Loan Rates; Financing Far Eastern Exports; Scottish Bank Notes.			

A Hungry World

THE conference on food problems which is to assemble
 in the mountains of Virginia in a few days' time
 said to be a meeting of experts, not of plenipotentiaries.
 is not, moreover, to deal with actual and impending
 problems, with wartime food supply or with post-
 war relief, but to confine itself to matters of the
 longer term. For both these reasons, it would perhaps be
 wrong to expect too much by way of precise and im-
 mediate results. The conference will be provisional and
 exploratory—and for all the natural impatience in all
 countries, it could hardly be otherwise. But in another
 sense it is right to have the highest expectations from
 the first of the post-war conferences. Material abundance,
 and especially material abundance of food, takes its place
 with liberty of the spirit as the two great boons that the
 United Nations can offer to suffering humanity. There is
 democratic monopoly of order and security—indeed,
 the totalitarians have hitherto been more successful than
 the free nations in providing at least the illusion of these.
 at none of the totalitarians can safely offer to make
 men's minds free or their stomachs full. The conference
 at Hot Springs is the first shot in the counter-offensive
 against the hunger of the world; if it does not record some advance,
 it will prejudice the whole of the larger cause.

It is, of course, impossible to keep the present entirely
 out of discussions about the future. The food situation
 of the world is not such that, as soon as the fighting
 stops and transport is available, it can snap back to
 normal. The war has increased the production of some
 kinds of food (usually the wrong kinds) in some places
 (usually the wrong places) and reduced production else-
 where. If the war were to stop to-day, there would be
 plenty of cereals, but grave world-wide shortages of live-
 stock and dairy products, oils and fats. The effects of
 these disturbances will last long after the war, and even
 beyond the relief period.

It is not very easy to cleave through the thicket of
 expedients to which Governments have been forced and
 to reach the first principles of the matter. But when they
 are reached, they are clear enough. This is still a very
 hungry world; the globe does not yet produce enough
 food of the right kinds to provide a sound diet for more
 than a fraction of its human inhabitants. Yet, on the
 other hand, agricultural producers the world over are
 in need of protection against conditions of glut. There
 is nothing new about the existence of this paradox;
 Shakespeare knew of a farmer who hanged himself in the
 expectation of plenty. It is the familiar paradox of bound-

matter has not yet drifted as far as this, but there can be no doubt that this may be its dangerous direction.

What can be done? It is a shared responsibility. It is the duty of Britain and America, as counsellors at once detached and vitally concerned, to put forcibly before the Soviet and the Polish Governments the fundamental implications of their dispute. Mr Eden has given the welcome news that the British and American Governments are working in complete unison in this matter. They must be prepared to rival the patience of Job and the persistence of the importunate widow. To the Russians they have to bring home the fact that the decisive contribution can only be made by the Soviet Union. It is a question of leading from strength. Everyone knows—including the Russians—that, after the victory has been won, they will have the physical power to impose any solution they choose in Eastern Europe. They could choose certain forms of action—for example, the creation of a Soviet Poland—which would irrevocably break up the promising partnership which the war has brought. But there is no reason to suppose that Russia would be immune from the otherwise universal rule that the incorporation of dissident minorities is a source of weakness not of strength. In the long run, Russia's security in the west will be better assured by a Good Neighbour policy than by any "realist" devices. It is a question not of power but of confidence and of the value the Soviets set on enjoying the trust of the world.

It will not be very difficult for the Soviet Government to begin the reconstruction of confidence. Stalin has taken the first step in his letter to the *Times* Correspondent in which he unequivocally repeats his earlier guarantee—that Russia wants to see a strong independent Poland established, and to enjoy neighbourly relations with it. The next step would be to restore diplomatic relations with Poland, another to agree to a postponement of all frontier adjustments until the war is won, another to invite General Sikorski or some leading Pole to a discussion in Moscow on all questions touching the relief or evacuation of Polish citizens in Russia. The Soviet Government could do this without loss of prestige because prestige is a question for the weak, not for the strong. It could not be imputed as weakness to a country with the defence of Stalingrad and Sevastopol to its credit that it treated generously a powerless and persecuted neighbour.

It would be the task of Polish statesmanship, backed by British and American diplomacy, to see that generosity on Russia's part met with an immediate and sincere response. So long as any doubt remains about the Soviet Union's ultimate intentions, it is difficult to ask the Poles to abate their fears and drop the intransigence the fears have bred. If Russia's intentions are clear,

then there can be absolutely no excuse for imperilling the free future of the Polish nation by persisting in grandiose schemes for dominating non-Polish peoples. The Poles' securest hope for future freedom is an internally harmonious Poland enjoying complete sovereignty and independence and linked to the Soviet Union by the kind of special friendship which after this war should unite Britain to the Low Countries or America to the Caribbean States. Such a Poland could be a pillar of a durable European order. A Poland weakened by dissident minorities and hostile to both its Russian and its German neighbours would be a menace both to Europe and to itself. Britain and America have the same responsibility here to make their position clear. Many Polish extremists are relying on the hope of Anglo-American support in pressing for an aggrandised Poland; yet if Poland's independence were threatened in the future, the Western Democracies' military problem in going to Poland's defence would be formidable enough. It would be impossible to persuade either the British or the American people to try to solve it, if Poland's frontiers were not fixed on a mutually agreed basis.

General Sikorski, in his broadcast commemorating Poland's National Day, repeated the assurance that

It has always been and will continue to be one of the main guiding principles of the Polish Government and the whole Polish nation to secure friendly relations with Soviet Russia; therefore, the facts which are separating us must be removed as soon as possible.

This is the statesmanlike approach and, provided always that Russia makes its contribution, the honesty of Poland's desire for good relations could be usefully demonstrated by changes in the Polish Cabinet designed to strengthen the conciliatory tendency—for example, those responsible for the appeal to the Red Cross should go at once; by a vigorous drive to put an end to tendentious pamphleteering; and by an official statement which agreed to postpone the discussion of frontier questions and stressed the Polish Government's desire for a friendly and moderate solution of all matters in dispute.

Only in an atmosphere of restored confidence will it be possible first to postpone the consideration of the very involved question of the Russo-Polish frontier and later to settle it along lines agreed to by both Governments. Restored confidence must therefore be the first aim of Anglo-American diplomacy. But they can contribute more than their good offices. The increasing weight of their attack on Germany's European citadel has already earned the warm appreciation of Stalin. As the attack broadens and intensifies, growing confidence will be created at the highest level. From there it must seep down through the whole structure of the Grand Alliance.

Trade Union Turning-Point

MR BEVIN'S warning to trade unionists, at the Scottish TUC last week, that they should not demand a complete restoration of their pre-war rights and privileges after the war, if they are to retain the benefits they have gained during the war, is a signal for the trade union movement to take stock of its present position and future perspectives. The unions have grown enormously in strength and in influence since the war. Their present membership is already approaching the peak of eight millions reached in 1920. Their association in the conduct of the war has been developed at every level of production, and the Prime Minister recently set a precedent by conferring directly with the representatives of mining and shipbuilding workers. The difference in the attitude of the workers as a whole towards the present and the last war is seen in the fact that five times as many working days were lost through strikes in 1918 as in 1942.

It is worth stressing this difference between the two wars, if only for the reason that it might otherwise be taken for granted. It is sometimes assumed

that because labour has co-operated to the full in wartime, co-operation will automatically be carried over into the post-war period. The 120 industrialists in their plan for future policy expressed the hope that the employer-trade union partnership would develop after the war, though they relegated labour to the position of a very junior partner. Many of the union leaders are also thinking in terms of co-operation, though there is, of course, a difference of emphasis. Mr Bevin himself has admitted that the unions "have now become an integral part of the state," and that this participation in government must be expanded. Obviously, the spirit of co-operation is welcome. Equally obviously any tendency in this direction that led to the abuse of any advantageous position, or to the restriction of productive forces by sectional interests must be guarded against, in the interests of the consumer.

Most of the schemes for joint consultation evolved during the war are designed to terminate at the end of hostilities, when their immediate object of maximum production for winning the war will have been achieved.

Will there be the same incentive for co-operation after the war? Will there be the same unity of purpose? Will not the employers tend to drift back into their natural habit of maximising profits, and the unions to their old, sectional attitude—neither regarding the interests of the community? Already a Tory offensive against the progressive features of the Government's labour policy, in particular against Mr Bevin and Sir Stafford Cripps, is gathering momentum; and, at the other end, labour is using its strong bargaining power and the absence of any Government policy to secure advances in wages.

There is, however, general agreement that, whatever the future may hold, there can be no return to the *status quo*, and that new problems and new situations will arise which may profoundly affect, not only the mutual relations of the two sides, but their internal policies. The TUC publicity officer, Mr Herbert Tracey, wrote in an article on "Trade Unions and the Future" (*Left News*, January, 1943):

The unions will probably find it necessary to adapt themselves to circumstances in which their traditional methods and aims will have become partially outmoded.

Collective bargaining, protection of their members' rights and standards, the organisation of friendly society activities—these have necessarily been the main preoccupations of trade unions in the past. Mr Tracey even fears that a comprehensive system of state insurance, such as the Beveridge scheme, "may conceivably weaken the incentives to trade union organisation." This view, which is surely an admission of the defensive rôle of the unions, is not borne out by the experience of the war, when an increase in trade union organisation has coincided with a great decline in the importance of the unions' friendly society side. Immediately after the war, the country will be faced with problems of demobilisation, reinstatement and the transition from a war to a peace economy. If the transition is to be smooth and if the aim of post-war society is to be full employment, it is clear that the unions should adopt a positive and co-operative, rather than a negative and defensive attitude.

Sir William Beveridge has given as one of the essential pre-requisites of the fulfilment of his assumption C—the maintenance of employment—the "mobility of labour"; the adoption of any form of national planning would necessitate flexibility of all productive resources, not least of labour. This means mobility between industry and industry as well as purely physical mobility. Even geographical mobility of labour may create difficulties: the schemes for settling unemployed men on the land during the 'thirties were far less successful than those for bringing new industries to depressed areas. But the early stages of the war showed that labour was highly sensitive to expanding employment opportunities—indeed, it became necessary to impose the Essential Work Order to prevent excessive mobility. The development of new techniques and materials, the changing boundaries of industry, the fluctuations in demand among consumers whose purchasing power is rising and who have margins to spend on non-essentials: these factors will necessitate a greater interchangeability of workmanship. Will the trade unions resist or assist this process? Will the old craft traditions impede flexibility? This is indeed no new question. The Luddites who smashed machinery were only acting in self-preservation. But if a genuine level of full employment is attained, the displaced worker need have no fear of the Damocles sword of unemployment over his head; he will know that his labour can be swiftly absorbed elsewhere. What he will want to know is what wage his labour will command. The trade unions have assisted flexibility and mobility during the war by agreeing to dilution and the introduction of women; if they are to assist flexibility after the war, they will want some safeguards. At the same time, as Mr Bevin pointed out, labour has won many advantages since the war and if these are to be retained, the unions should not insist upon an "ad lib restoration" of their pre-war position. It is in any case unlikely that they would get it: the experience of the last war showed that the complete restora-

tion of pre-war practices could not be expected, in spite of statutory enactments. The question is, what will the unions demand as a *quid pro quo*? They will probably seek some form of guaranteed working week and from the point of view of their own organisation, they might well demand the repeal of the Trade Disputes Act, 1927—the Post Office workers, at their annual conference, have set the pace by asking for affiliation to the TUC, in defiance of the Act—and legal recognition, such as is afforded to United States trade unionists by the Labour Relations Act.

Many plans are being worked out for extending training facilities after the war. The White Paper on recruitment and training for building provides an example which could be followed by other industries. The Tomlinson report on rehabilitation, though it deals only with disabled persons, suggests an extension of training and resettlement facilities which might be applied in a broader field. The TUC has always attached great importance to training and rehabilitation schemes, but no indication has been given of their attitude towards such schemes in relation to the unemployed. Hitherto training camps for the unemployed have been regarded with nearly as much hatred as the means test. Sir William Beveridge abolishes the means test, but he imposes a training condition upon the receipt of unemployment benefit—one of the few proposals of the report which the Government has unreservedly accepted. This is a matter on which it is vital to know trade union opinion.

The trade union movement is of uneven and piecemeal growth and, as a result, its structure is extremely diversified. Over two-thirds of the unions in 1941 consisted of less than 1,000 members, while over half the total membership was concentrated in fourteen large unions, dominated by the Big Five—the two general workers' unions, the engineers', railwaymen and miners' unions. There is a great deal of overlapping and competition, and charges of "poaching" members are frequently heard. No fewer than 52 separate affiliated unions cater for cotton workers, while the building, woodworking and furnishing group comprises 20 different unions. A motion by the National Union of Railwaymen at the 1942 Trade Union Congress, calling for a review of the structure of affiliated unions, in order to eliminate overlapping, sectionalism and diverse policies within an industry, was opposed by Sir Walter Citrine on the ground that it would interfere with trade union autonomy—it would, incidentally, also deprive a great many officials of their jobs. But, in spite of their defeat, the desire of some unions for more unification and rationalisation has not been appeased, and has recently been given concrete expression. The three unions representing the railway workers have taken a practical step in this direction by formulating a collective wage claim, and have formed a joint committee to promote closer co-operation; the engineers' wage claim was presented collectively by forty unions; and support for the idea of a national miners' union is growing. Another recent development which may be significant for the future is the growth of trade unionism among professional workers, such as technicians, scientists and managerial staffs. The danger that amalgamation or federation might lead to an increase of bureaucratic control or lessen the democratic basis of individual unions could probably be averted by a strengthening of the local or workshop units. The Amalgamated Engineering Union provides an example of a union which, though large, is thoroughly democratic in its constitution and practice.

These trends in the trade union movement are undoubtedly healthy, and it is essential that the new spirit should not be frustrated, either by the Government making promises which it cannot fulfil, as in the last war, or by the union leaders failing to give a constructive lead. At the same time the unions must use their strength and vitality to contribute to the best advantage of the nation in peace, as they have done in war. The path which organised labour will choose will, to a large extent, be determined this year, at the Labour Party's Whitsun conference and at the TUC in September.

Russia's Trade—III

THE crucial factor in all trade agreements made with Russia is the state monopoly of foreign trade which gives Russia in many respects an altogether exceptional position. All commercial relations with foreign countries are to all intents and purposes concentrated in one authority; and they are centrally and directly co-ordinated with the state's monetary policy. The familiar conflict between the interests of exporters or importers and those of the national currency is ruled out. As long as foreign trade in other countries was regulated by the automatic gold mechanism, the Russian system appeared to business men and economists in other countries as a challenge to all accepted methods of trading. But the contrast is not now so marked. Changes have taken place in other countries as well as in Russia. After the Great Depression foreign trade was everywhere more and more subjected to national control. True, differences in the degree, form and method of control, which varied from country to country, remained very substantial. But there was no great basic contradiction between the Soviet pattern and the various methods of restriction adopted elsewhere in Europe based on quotas, licences or bilateral agreements. After this war the debtor nations will of necessity have to keep a close hold on the movements of their foreign trade. State intervention in foreign trade will be widespread. What will matter most will be the policy underlying this intervention, whether it is expansionist or restrictive. The Soviet monopoly of foreign trade, similarly, is only an instrument of policy. In the past it has served autarky; there is no reason why it should not be used differently in the future.

The monopoly of foreign trade in Russia is now based on the state's management of industrial production. This was not so when the monopoly was introduced. During the period of the New Economic Policy, the Russian economy was split into two rival sectors: one was private, the other one state owned. The Government's trade policy had to counter the danger that the private sector might by trading with the outside world become the stronger. The state monopoly of foreign trade was thus a weapon in an internal economic struggle. But after the liquidation of the NEP—and of the private sector—that function disappeared. The monopoly is no longer a political device to defend a heterogeneous and incoherent structure against the "disintegrating influence of a hostile environment." State trading is simply the instrument of a state economy.

The topical question of how far this monopoly of trade could be fitted in with either of the two Allied currency plans now under discussion cannot be definitely answered. On the face of it the British scheme for an international Clearing Union makes no controversial demands on the Soviet trade system. The advantages of a multilateral settlement of balances are the same for Russia as for any other country; and they require no drastic adjustments by Russia. The principles of the British plan are:

There should be the least possible interference with internal national policies, and the plan should not wander from the international terrain.

The technique of the plan must be capable of application, irrespective of the type and principle of government and economic policy existing in the prospective member States.

The management of the Institution must be genuinely international without preponderant power of veto or enforcement to any country or group.

The feature of the British plan which is to some of the critics objectionable—the scope which it leaves for the regulative functions of the member states—makes it the more acceptable for Russia. In contrast, the American plan for a World Stabilisation Fund would require radical alterations in the Russian organization of foreign trade; and the "preponderant power of veto," invested in the holder of 20 per cent of the shares of the Stabilisation Fund,

inevitably invites strong Russian opposition. In other respects, however, which have no bearing on the monopoly of foreign trade or on the Russian currency system, the American plan might appear more attractive to the Russians. Among the debtor countries Russia is at present the only country with a considerable gold reserve. Russian gold production in 1938 amounted, according to League of Nations estimates, to about 12-13 per cent of the world's output. It has almost certainly increased since; and it has probably not been cut down in wartime. The importance attached in Russia to the accumulation of gold was, of course, not due to any gold orthodoxy. The metal was kept as a prospective war chest; but as Russia entered the war when Lend-Lease was already in operation it has not all been spent. The gold reserve may therefore help Russia to tide over the first period of disequilibrium in the balance of payments after the war; and it may very well influence the Soviet approach to currency problems. The important technical point, in which the British plan would need a modification from the Russian point of view, is the calculation of the quotas assigned to member states. If a country's share in total trade is accepted as the basis for that quota, then the credit facilities open to Russia would be very small indeed. The provision in the American plan, by which the quotas assigned would be related to gold holdings and national income as well as to foreign trade, is obviously better suited to the Russian interests.

But for Russia, perhaps more than for any other country, the main and the most complicated issue is not the currency problems associated with the short-term balance of payments, but the problem of long-term credit. Russian reconstruction after the war cannot be based on a conversion from autarky to large-scale international trading without the export of long-term capital to Russia, a feature which was almost entirely absent in the post-revolutionary era. The export of capital can, in theory, assume the form of industrial investment in Russia along the lines of the famous plan of "concessions" suggested by the Soviets more than twenty years ago. At that time the plan failed, mainly for political reasons. After this war, the return to some such conception would present undoubted advantages—from a financial point of view. The import of plant and machinery working for foreign concessionaires might help to speed up reconstruction and economic development without adding any substantial burden to the Russian balance of payments in the years immediately after the war. But the economic and political difficulties of this arrangement seem to overshadow its financial convenience. In the conditions of NEP, the foreign concessionaire could still find some elbow-room for business in a relatively free market. Within the framework of a planned economy that elbow-room is, to say the least, extremely limited. The foreign investor would have to adapt himself to the difficult atmosphere of total state control. On the Russian side, ideological considerations and national pride are certain to militate very strongly against this form of economic co-operation. Whatever may be said about the desirability of the international movement of capital, the fact remains that Russia is, by the force of its internal economic system, most likely to remain more or less closed to foreign industrial investment.

Thus, practically the only form of capital export to Russia which seems feasible is that of long-term loans granted to the Government in order to enable it to even out the incidence of massive relief and reconstruction imports over a period. It is clear that this form of capital exports depends primarily upon the creditor's trust in the debtor. The issue is therefore essentially a political one. It depends entirely on the degree of political confidence between the principal partners of the Alliance; and to the building up of that confidence all the interested sides have still to make their decisive contributions.

NOTES OF THE WEEK

The Citadel of Monopoly

Sir Percy Harris, in a speech at Manchester last week, called for a committee to investigate the growth of "combines, trusts, cartels and other organisations in restraint of trade." The case is certainly made out. The growth in all these forms of monopoly since 1932, and especially since 1939, has been menacingly large, and there is all too much reason to fear that the return of peace will be a signal for a further enormous advance against the freedom of British enterprise. It is in the nature of the case that the facts should be hard to come by in the first place, and that any private attempt to collate them should be beset by the perils of libel. An official committee, or even a Royal Commission, which can call for evidence on oath, is very badly needed, if only to let the public know what is happening. There is, however, one danger that should be guarded against. Combines, trusts and formal cartels may be the foundations upon which the existing state of affairs has been built. But the central stronghold of monopoly, and the most insidious danger, lie in the trade association. As the result of a decade during which it was possible to secure a closed market by Government intervention, the spirit of enterprise has been so discouraged that it is more profitable to combine to the disadvantage of the consumer than to compete in efficiency in his service. If there remain in a trade men of energy and good will who are not open to persuasion, it is usually not difficult to compel their co-operation in the conspiracy. This is not a fancy picture. It is—and if nothing is done, will be—the normal state of all British trades and industries. A restrictive trade association is far more noxious than an outright monopoly. In the first place, the monopoly has at least the chance of securing technical efficiency, while the restrictive trade association is, almost by definition, a conspiracy of the inefficient. And, secondly, while the monopoly is obviously suspect, the new feudalism of the trade association can be dressed up in such specious phrases as the "self-government of industry" (the old feudalism might as well have been called the "self-government of the landlords"). This is not to say that straight-run monopoly may not be dangerous. But if there is to be an inquiry, and if there is to be an attempt by the state to protect the community's rights—and there should be both—let them not forget the trade association.

Design for Gilds

The trade associations are busy bodies. Nowhere is planning for reconstruction being more actively pursued. One after another they produce, usually in the relative seclusion of the trade press, their projects for post-war trading; and in every case the pattern is the same—the old-style gild in modern dress. The latest example is the programme of the leather goods trade. Before the war, it seems, according to a memorandum submitted to the Council of the National Leather Goods and Saddlery Manufacturers' Association, the consumers of leather goods were too powerful: "big buyers dictated the price at which goods should be produced and the terms on which they should be supplied"; there was "a lack of unity on the part of manufacturers"; and there was "price cutting." In the war, the balance of power has apparently altered. Manufacturers of leather goods have banded together "in a manner never known before." The post-war aim of the trade is to preserve this united front; to "persuade" the entire industry to join the trade association; to prohibit entry into the trade except by licence; to enforce "a common code of trading"; and to "reach an agreement" with the main retail associations. Here are the outlines of a tight little monopoly by which the prices and conditions of sale will be determined by the producers' organisation. The usual appeal is made to employees. Only the non-competitive organisation of manufacturers, it is argued, can guarantee proper wages. The whole paraphernalia of gild organisation is envisaged, with compulsory apprenticeship side by side with "just prices" and "just wages." The frightening thing is that every trade is quietly making plans of this kind; and the consumer's only hope, against this restrictive wave, is that the Government may, by anti-trust and anti-monopoly legislation, put all these plans out of court at a single stroke.

Power to Bind

The Report of the Comptroller and Auditor-General for the financial year 1941-42 on the Appropriation Account of the Ministry of Supply for that year is uncommonly illuminating on the fixing of steel prices. In 1932 a policy of price regulation was instituted

aimed at maintaining a stable level of prices under fluctuating conditions of trade and so framed as to give a reasonable return on capital at a normal average rate of production somewhat below the full capacity of the industry.

Prices were, in effect, fixed by the industry's own Federation and approved by the Import Duties Advisory Committee; and the fact that British steel prices, just before the war, were something like 50 per cent above prices elsewhere speaks for itself. In September, 1939, the steel industry came under statutory control, and the Ministry of Supply made orders fixing maximum prices. There was no break, however, in the continuity of personnel or of practice, for the Ministry's Control was drawn from the industry and the Iron and Steel Federation. It would be wrong to suggest that control prices have been pushed up by this arrangement. Indeed, they are at present stabilised as at November 1, 1940, in face of rising costs. Plainly, too, the exigencies of war put an end straightway to the pre-war policy of restriction, and output rose to record levels. What has happened is that the pre-war technique of price maintenance has been perfected. In wartime, it is necessary to maintain in production firms whose costs are higher than those of the more efficient firms—the precise objective sought by the Federation (and indeed by all such trade associations) in peacetime, for other reasons. High-cost producers are maintained by grants from a fund levied on all producers by the British Iron and Steel Company, the trading body of the Federation, and these levies are included in the control prices. It is, of course, the Government who, as the chief consumer, pays these prices.

As a result of these control prices [the Comptroller and Auditor-General says] the industry as a whole appears to have obtained a higher rate of profit than that normally allowed under the Ministry's costed contracts.

All this bodes badly for the future. Consumers of steel would do well to study this report. Nothing could be more crippling to the establishment of high domestic activity and the restoration of overseas trade after the war than the continuation into the peace period of this, *imperium in imperio* which, born under State auspices in a period of depression, has grown to maturity in a period of war.

The Nation's Shelter

There were two remarkable debates in Parliament on Tuesday. Both the Commons and the Lords discussed housing; and, as the Minister of Health said in the Lower House, "the most intense feeling" was shown. In a single

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

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

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

BARCLAYS BANK (CANADA)
MONTREAL & TORONTO

day, housing took an equal place beside social security in the schedule of parliamentary priorities. Two demands were made: one that more accommodation should be provided now, despite shortages of labour and timber, especially of labour; and the other that this time the right decisions should be taken before the war is over about the finance, design and lay-out of post-war houses. The present wartime priorities were strongly attacked. Lord Beaverbrook in the House of Lords asked for 30,000 instead of the promised 3,000 agricultural cottages. The charge that the Service departments consume an undue proportion of labour and materials was made in the Commons as well; it was even suggested that war workers should be huddled like troops. During the war there is overcrowding because of evacuation, the transfer of workers, bombing and the cessation of building. When the war ends, there will be more overcrowding when the population moves back home. The task of the Government is to ease the present strain and make ready for the post-war rush. It is probable that, in view of crucial war needs at this climacteric of the conflict, the Government could not devote appreciably more labour or materials to building and repairs; but it is very doubtful whether what can be done is being done with sufficient determination and expedition. It is unfortunate for the solution of both present and future problems, that housing should be the concern, in one way or another, of some six Ministries. The tri-partite division of functions between the Ministry of Health, responsible for housing, the Ministry of Works, responsible for building, and the Ministry of Town and Country Planning, responsible for the control of land use, is evidently not conducive to speed or decision. While the war is on, every effort should be made to make use of every inch of available accommodation without delay or debate; and there is a point at which the running down of capital assets represented by the restriction of repairs and maintenance is directly and immediately injurious to the war effort itself. Overcrowding will tell on the health and morale of the population as well as upon its productive efficiency. After the war the proposed programme to build millions of houses will be largely abortive as a solution to the basic problem of squalor if decisions are not taken now to ensure that the houses built will be of the right kind, at the right price and in the right place. The feeling shown by the Commons and the Lords on Tuesday may spur the Cabinet and the Departments to set about these tasks somewhat more manfully and more effectively than has so far been the case.

Defence and Attack

In the last three weeks there has been a succession of Allied offensives on various sectors of the Tunisian front. The period started with an offensive by the Eighth Army which lasted from April 19 to April 23; this secured local successes, but was halted north of Enfidaville. Then the centre of gravity moved to the sector held by the First Army in the region of Medjez el Bab and Goubellat. The British advance there was halted in front of Tebourba, and was followed by strong Axis counter-attacks which failed to regain much of the lost ground. In the latest phase the initiative has passed to the Americans further north, who have captured Mateur, the important road junction, 18 miles from Bizerta. Each of the successive Allied attacks has obtained limited objectives, without achieving the decisive break-through. The question has been asked whether the advance might not have shown more momentum had the attacks been carried out, not as a series of disconnected blows, but as one co-ordinated operation. But the area of the fighting has steadily contracted, the enemy has been able to cover the terrain, by its nature terribly difficult for the attackers, with minefields and anti-tank guns more densely than ever before. Mobility has inevitably diminished; and the advance of armoured forces has as a rule become possible only after the infantry has cleared the mine-fields. It would be mistaken to say, because of this, that the defence has generally regained its old strength against the attack or that mobile warfare now belongs to the past. On European battlefields conditions similar to those in Tunisia will be the exception and not the rule. Similarly, the fact that the enemy's rear positions are "protected" by the sea from the Allied armoured forces gives the defenders only a temporary and exceptional advantage. Under such conditions the Allied advance—slow as it has been—can still be regarded as a proof of the ascendancy of attack over defence.

The Battle of the Narrows

Interest in Tunisia naturally centres on the land fighting; but the operation is, after all, a combined operation, and one of the most important advantages secured by the advance of recent weeks is a new freedom of action for the Allies' supporting Navy and Air Force. The problem is one of airfields. The first Allied rush to Tunisia failed largely because of the lack of air cover for the advancing land forces, and during those crucial weeks control of the central Mediterranean was firmly held by the *Luftwaffe*. All the Allied airfields were well back in Algeria and Tripoli, and the ships bringing up the vitally needed supplies had to run the gauntlet of fierce air attack, with only the fighter protection that could be provided by aircraft carriers. The Germans controlled not only airfields in Italy and Sicily, but also at least six large airfields situated inside their Tunisian bridgehead. To-day the position is reversed. First came the feat of organisation whereby Allied airfields were built up in eastern Algeria and in the south of Tunisia; then followed the advance on all fronts which has brought most of the Axis airfields either under Allied control or within range of Allied artillery. This new situation has made possible the division of the Allied air force into a tactical and a strategic air force. The tactical air force has the specific task of supporting the land forces on the field of battle. It is still a new force and has not yet come into its full stride, but it will be crucial in the final stages of the Tunisian fighting, particularly in the bombardment which must silence the artillery posts of Bizerta before it can be successfully stormed. The activities of the strategic air force include, of course, closest co-operation with the Navy, and the task in which both the Allied air and sea forces are engaged now is to close the "Sicilian Narrows." Both ends of the Mediterranean are now controlled by Admiral Cunningham's forces. Even in the Narrows the Axis is probably in no position to offer a surface challenge. The really bitter fight is between the Axis air force and U-boats and the Allied strategic air force and the Navy, with which, incidentally, a large number of American submarines are now operating. It is a very bitter fight and the losses on both sides, although they cannot be accurately estimated, are known to be very heavy—the January claim of the *Luftwaffe*, undoubtedly with the usual exaggerations, was 114,000 tons of merchant shipping and two destroyers in the Mediterranean alone. But there is no doubt about the outcome of this struggle. The Allied air and naval forces are pushing forward to win their battle—the Battle of the Narrows—as surely as the land forces are moving on to theirs. Indeed, the one reflects the other, for one of the chief factors in the German retreat is the impossibility of getting reinforcements to von Arnim, and this is due to the tireless work of the airmen and sailors operating in the rear of the Axis bridgehead.

Mobilisation: The Last Lap

It has been known for some time that Mr Bevin was going to take steps to direct women into part-time work, and the Control of Employment (Directed Persons) Order now confers the necessary powers upon him. In future, women between 18 and 45 may be directed to part-time work, up to a maximum of 30 hours a week, upon the recommendation of the Women's Advisory Panels. Women with children under 14 living with them will be exempt, and no woman will be expected to take up work outside reasonable travelling distance of her home. The Order in effect applies the Essential Work Order to part-time work which has hitherto not been covered, even in scheduled undertakings; it provides that workers may appeal to local tribunals if they are dissatisfied with the National Service Officer's ruling. The Order also provides that people may be directed to full-time work in unscheduled undertakings. This has already been done on a small scale, but an extension is necessary, in order to supply substitutes for workers who are needed for work of greater importance. The object of the Order, which represents the last lap in total mobilisation, is to tap the final reserve of manpower—it should provide the Minister with a greater flexibility of control, while the workers directed should have security of employment and protected conditions. Recruitment for part-time work on a voluntary basis has not been adequate, though the increase from 250,000 to 600,000 in the last six months is considerable. Many employers have been reluctant to take on part-time workers, but the experience of a number of firms shows the advantages of part-time schemes, where these are planned with a view to ensuring continuity of

production. The example of an aircraft factory (described in the latest PEP broadsheet) showed that, on certain operations, the hourly output of part-time workers was nearly a third higher than that of full-time workers, while their absenteeism rate was, understandably, far lower. It also suggested, as a result of personal interviews with the women, that more part-time workers would be available if there were more nurseries, more school dinners and more places where the children could play between 4 and 6 p.m. This is a conclusion which the employment, health and education authorities should note.

The Aircraft Industry

Sir Stafford Cripps has taken a further step in his overhaul of the aircraft industry by appointing to General Aircraft, Ltd., three new directors—Mr R. C. Rootes and two officials of Rootes Securities, Ltd.—in place of Mr Gordon England and Captain H. M. Schofield. All the facts are not available to the public, which knows Mr Gordon England as an aviation enthusiast and Captain Schofield as a Schneider Trophy pilot; but it seems likely that the Minister's intervention has been as necessary in this case as in that of the other firms to which directors have been appointed in the interests of productive efficiency. It is a small episode in a large and crucial campaign. The industry's problems were described at a recent press conference. Though the peak of aircraft production has not yet been reached, there are not likely now to be any spectacular increases; the task is to achieve and maintain the maximum qualitative and quantitative production. Output has to be matched with the operational requirements of the Royal Air Force and constant modifications have to be introduced to fit in with flying needs and new techniques. As the dispersal of the RAF on its world-wide mission increases, more and more stress must be laid on the production of spares—in one type, the proportion of spares to the finished plane is as high as 60 per cent. The steps that are being taken to pursue the policy of maximising productive efficiency are now known in outline at least. The Production Efficiency Board advises managements on the most efficient utilisation of machine-tools, among other things, while increasing importance is attached to personnel management, as a factor in reducing labour wastage and absenteeism. Arrangements are being made to improve the planning of sub-contracts and for the co-ordination of all groups of firms working on the same type of aircraft. Efforts are being made to reduce the amount of scrap

created in the manufacture, and it is estimated that even a saving of 1 or 2 per cent would make a considerable difference. It is clear that some of the mistakes of the past, which were undoubtedly due to lack of planning and of forward thinking, are being rectified. Sir Stafford deserves all support and co-operation. But there is still some disquiet about the control of the industry itself and about the operations of the so-called "ring." There is still room for improvement in the pooling of ideas and resources, in central scientific direction and in the utilisation of scientists and technicians on the job. Meanwhile, the crop of unofficial and sporadic strikes that have recently broken out, mainly in connection with wage and bonus grievances, though they may not amount to much individually, as a whole have serious effects on the production programme and call for firm action.

The Coal Position

It is disappointing that, far from showing any improvement, the latest figures for coal production (given in detail on page 599) record a further decline. Only four districts out of the twenty-five have qualified for the output bonus. Major Lloyd George stated confidently in February that the gap between production and consumption had been closed, and in the House on Tuesday, he attributed one-third of this to production and two-thirds to consumption. But even if the deficit has been met, there must be no relaxation of efforts to bring home the gravity of the situation to miners, owners, managements, and industrial and domestic consumers this summer, since next winter will be the testing-point. The Minister has said, in reply to some kite-flying by certain newspapers, that he has no present intention of rationing coal, and a Ministry analysis shows that more coal would have been needed for a rationing scheme than was actually sold to domestic consumers since June, 1942. But last winter's exceptionally mild weather may not be repeated this year and it is to be hoped that the Minister will not make a final decision before it is too late to introduce an effective scheme. The miners themselves are pressing for rationing and the President of the South Wales Miners' Federation did some plain speaking last week-end. He censured the small minority of absentees in the industry and referred to the obstacles created by some managements which prevented pit production committees from functioning as the Government's Coal Plan intended they should. A production enquiry, on the lines of the Amalgamated Engineering Union's investiga-

To every man and woman smoker

Will you help to reduce the appalling loss of vital material caused by fire damage?

THOUSANDS of tons of foodstuffs completely destroyed, a clothing factory in flames, destroying hundreds of thousands of garments—fires like these are costing the nation £12,500,000 a year! More important than the money are the labour, the raw material and the shipping space which must be diverted from the war effort to replace the loss.

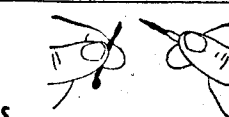
And the facts are, undeniably, that most fires start from some little act of carelessness by a normally careful person. A match thrown away still smouldering,

a cigarette end left burning, an electric iron left switched on—simple acts of carelessness like these are slowing up production, as well as making tragic inroads into the nation's reserve of materials. Will you help to stop it?

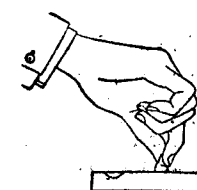
Be more than careful with lighted matches and cigarette ends—be sure! Stub your cigarette ends till they're right out and never throw away a match or spill unless you *know* it's out. Your help, everybody's help is needed, to reduce the loss to the war effort by fire.

Most fires are caused by careful people

3 SAFETY FIRST
RULES FOR SMOKERS



1. You know a match is out when you can do this.



2. Stub your cigarette end right out.



3. Look twice, when you're in any doubt.

tions, might yield some interesting results. The Coal Plan also advocated—in a somewhat Pickwickian sense it seems from subsequent events—the concentration of production and the Minister's action in closing a pit in the Sheffield district—the Norwood pit—and transferring the men to another, more productive pit, is a sign, albeit a small one, of some slight activity in this direction.

A Pioneer Passes

Almost every European Socialist of middle age began his political researches by studying two books, as well as the works of Marx—"The History of British Trade Unionism" by Sidney and Beatrice Webb, and "The History of European Socialism" by Max Beer. In the last few days, both Beatrice Webb and Max Beer have died. The Webbs can claim to have shaped the outlook and philosophy of the British Labour movement, and to have been mainly instrumental in differentiating its policy and programme from the Marxism which won almost everywhere on the continent. In the choice between the method of reform and the method of revolution, the conclusions which the Webbs wrested from their massive researches into social conditions, and brilliantly expounded, helped decisively to carry the day in this country in favour of gradual change. Their philosophy of "gradualism" inspired a political creed which united the various branches of the British labour movement on principles much nearer to Herbert Spencer, Beatrice Potter's first famous friend, than to Karl Marx. Yet, at the end of their days, the Webbs tried to study the Marxist experiment in Soviet Russia with the same analytical labour that they had devoted for over two generations to the problems of social reform in their own country. This does not mean that, in the end, the Webbs capitulated to the revolutionary doctrine; the title of their last great work first carried a question-mark—"Soviet Communism: a New Civilisation?" It is rather another proof of their fairness of mind and integrity of purpose that they should have recognised, in such breadth and detail, the achievements of the Socialism that they themselves had been unable to accept; and it was, perhaps, with the hope that their own humane philosophy would triumph that they paid this honest and characteristic tribute.

The Making of a Creed

The morphology of British Socialism, in all its stages, was reflected in the life and work of Beatrice Webb. After an early youth spent restlessly on the fringes of late Victorian Society in London's West End, she turned to study the "physical misery and moral debasement" of East End life. First, she decided that the evils of low wages, long hours and insanitary conditions could be "mitigated and, perhaps, removed" by a combination of statutory regulations and trade union action. Then she came to doubt whether there was really, in the framework of private finance, manufacture and trading, a way out of over-work, poverty and unemployment or a possible approach to the national minimum of civilised existence for every citizen. She came to agree with Matthew Arnold that "Our inequality materialises our upper class, vulgarises our middle class, brutalises our lower"; but she could still see "no alternative to the authority of the profit-making employer." Then, in the co-operative movement, with "its production for use and its elimination of the profit-maker," she found an alternative—"the government of industry by the community of consumers for their common benefit as consumers" and "the complementary organisation of democracy and workers by hand and by brain, organised in trade unions or in professional societies." Beatrice Webb was no doctrinaire or ideologue. She knew precisely what she wanted from this Socialist democracy: the removal of "the psychological evils of a community permanently divided into a nation of the rich and a nation of the poor, into a minority always giving orders and a vast majority always obeying orders"; security of livelihood and equal opportunity for self-development for the whole people; personal dignity and individual freedom; and participation for all workers "in the administration of their service" to the community. Socialists may quarrel about the Webbs' Socialism. No democrat can deny their Democracy, or the many lessons that at least the ends they sought, if not the means, have for the strange muddled state into which the vast and complicated system of British democracy has drifted.

The Ulster Government

Changes in the Northern Ireland Government were foreshadowed in *The Economist* of April 3, 1943, page 420. It was there pointed out that there has been very little change in the personnel of the Unionist Government since the partition of 1921, and the recent pressure for change has come, not from the country as a whole, but from within the Unionist party itself. Sir Basil Brooke, who has succeeded Mr J. M. Andrews as Prime Minister, has the advantage of being comparatively young—he is 54, against his predecessor's 72—and the reputation of being a successful Minister, particularly as Minister of Agriculture. At the time of going to press, he had still not formed his Cabinet, but it seems likely that it will continue to be a purely Unionist Administration. There are only three Labour members in the Ulster Parliament, though Labour's influence is probably growing in the country as a whole, as witnessed by the Labour victory in two recent by-elections—one to the Ulster Parliament and one to the Imperial Parliament—at Unionist expense. But one of these members, Mr Beattie, made a bitter attack on Sir Basil Brooke this week, and the possibility of Labour representation in the new Government seems remote. Nor, even if the new Prime Minister is able to form a more energetic Cabinet from his own party, is there much that it can do at present, since vital issues, such as conscription, are outside its province and belong to the Imperial Government. The chief interest in the new Ulster Cabinet, to this country at least, is more theoretical. It shows how fatally apathetic to politics the people can become in the absence of any vigorous two-party system.

Non-Belligerent Turkey

Mr Sarajoglu's announcement to the reassembled Turkish parliament that Turkey, as Britain's ally, was not neutral, but non-belligerent, is a good summary of the change of atmosphere that has come over Turkey in recent months. Everyone assumes that at the end of fighting in Tunisia the signal will be given for new fighting elsewhere, in which Turkey may be involved. The Turks expect to play a more active part in this war. Are they ready to do so? They have been struggling under the most adverse economic conditions for many months now. The cost of living has increased fabulously: some foodstuffs on the Istanbul markets have risen 1,000 per cent in price. All efforts to fight hoarding and black marketing have proved ineffective and there has undoubtedly been a good deal of what the Turks call "economic sabotage." Another heavy cost has been the expense of maintaining an army practically fully mobilised for three years. Defence expenditure for this year—an extra credit of £120 million has been set aside for national defence—will be equivalent to one-third of the national budget. This mobilisation of manpower in the army, coupled with the need to increase all kinds of production to counter the falling-off of foreign supplies, has crowned the general economic difficulties with a severe labour shortage. However, the Capital Levy Bill passed in November is designed to meet this situation. By fixing the levy at a sum which all too often exceeds the resources of those who have to pay, and making hard labour the penalty for non-payment, the Turkish Government is securing a steady stream of new labourers from among formerly salaried people; the tax is, in fact, a conscription of labour. So far it has fallen more heavily on non-Turks, who, the Government maintained, have been unscrupulously manipulating the black markets. On the assessments already made, the capital levy will bring in about 450 million lire. There may be more to follow from some still unassessed vilayets. This large sum will be used to cover the costs of mobilisation and to carry on energetically Turkey's development programme for roads, railways and ports. It is significant that strategic development dominates the picture now. Here Turkey is being greatly helped by Britain. The United Kingdom Commercial Corporation is responsible for bringing in locomotives, goods wagons, all kinds of shipping, as well as wool, hides, steel, rubber, machinery and generous supplies of wheat and barley. British engineering firms are busy on the vital harbours of Alexandretta and Mersin; and Turkey is getting help in the development of its railway communications eastwards. Here, undoubtedly, the groundwork of military collaboration is being built with all speed. The military sphere itself has not been neglected. Two Turkish military missions have visited the Eighth Army and a series of British and American commissions have visited Ankara. Deliveries of

tanks, Hurricanes, submarines and destroyers have been reported. Whether Turkey's task is to protect the Middle Eastern flank, while the Ninth and Tenth Armies are used elsewhere, or to take an active part in the war, there is no doubt about the speed and care with which the necessary preparations are being made.

Germany's "Lost Youth"

Dr. Goebbels has now admitted that there were student riots in Germany in February, and that some of the young people were shot. These disturbances throw a rather unexpected light on the state of opinion inside Germany. So much is being said and written about the need for re-education, about the "lost youth" of Germany, its radical corruption, and so forth, that it is worth recording that the student Scholl and his friends died for some of the things it will presumably be the job of future educators to teach the young people of Germany. The circumstances of the student riot are not very clearly known, but most reports agree that the leader Scholl had served on the Russian front, and returned in a bitter state of mind to protest against the sufferings of the soldiers compared with the snug life of the Party and S.S. officials—many of them young men—at home. With the help of his sisters, Scholl duplicated leaflets of passionate protest against the war and the party, and these were distributed among the students at Munich; some found their way to other universities. Scholl was arrested, and after the Army had made a vain attempt to have him tried by court martial, he was condemned by the *Volksgericht* and shot. On the next day, the rioting broke out in Munich, and a number of other young people were executed. The leaflets continue to circulate. They are very simple and unsophisticated. There is no ideology, almost no politics, just a cry from the heart for peace and freedom. It is the old cry of *Nie wieder Krieg*, and it has a peculiar bitterness against the Party bosses, many of whom may well be the elder brothers of the students that were shot. If the Scholl incident is any indication of the mysterious movement of ideas in totalitarian Germany, it suggests two things—that there are already "Haves" and "Have Nots" among the under-thirties, the bureaucrats and officials for whom the state itself is private property, and the still younger men who are cannon fodder. It suggests, too, that the sheer horror of total dictatorship and total war is bringing with it its own antidote. The Scholl leaflets show that it will not be necessary to teach all the younger Germans to hate Nazism. The problem will be to give them something to love.

Further Education

Details have now been issued of the Government's scheme for the "further education or training" of men and women now on national service. It has, on the whole, been generously conceived. The primary condition of eligibility will be full-time service in work of national importance; thus, although the scheme is chiefly intended for members of the armed forces, the merchant navy, the civil defence services, police auxiliaries and the civil nursing reserve, persons employed in work of national importance will not be excluded. The second condition is that, because of his, or her, national service, a person was unable to start, or complete, his training for a career, is unable to resume or continue his career or requires a refresher course to enable him to follow his previous profession. The third condition, which follows from the second, is "an adequate educational background." But, wisely, the Government is not insisting on previous attendance at a secondary school or its equivalent.

The criterion will be whether a candidate is capable of profitably undertaking the course desired . . . which means, presumably, that persons who have left school at 14 and then continued their education on their own will be considered eligible. The financial grants will vary according to the private means of an applicant or his parents and to the course to be taken. For university courses they may amount to £180 or £250 a year for maintenance, plus fees. Married men will receive maintenance allowances for their wives and children. Generally speaking, a candidate will be allowed to choose the profession he wants to adopt, but the absorptive capacity of the profession will have to be taken into account, and a committee under Lord Hankey will advise on the numbers who should be encouraged to undertake the various kinds of further education or training. But, provided that the Government's reconstruction plans for

education, the health services and industry are as bold as they should be—a provision which, unfortunately, is far from sure—the shortage will not be felt in the openings for candidates, but in the numbers of candidates themselves.

The Tuberculosis Scheme

Six months ago, the Medical Research Council's committee on tuberculosis recommended three main measures for combating the wartime increase in the disease and for reducing its incidence in peacetime as well. The Minister of Health announced at the time that the first two of their recommendations had been accepted, and details are now available. Mass miniature radiography sets, to assist early diagnosis, are being provided as soon as possible for the populous areas. Lancashire County Council has already received one, and other districts will receive them at the rate of about one a month. Secondly, the allowances to persons undergoing treatment will be administered by the tuberculosis authorities of the local health services, and will consist of three parts: maintenance allowances, based on a standard scale without any means test; discretionary allowances, on proof of need, towards meeting standing charges—rent in excess of 15s., rates, hire purchase, school fees, etc.—which will not normally exceed 10s. a week; and special payments to meet special circumstances, such as the provision of domestic help in cases where the patient is a housewife. Compared with other forms of benefit, the allowances are fairly generous—as, indeed, they should be, since TB demands a high standard of living for its effective cure. The maintenance allowances are 39s. a week for a male applicant, undergoing treatment at home, and wife or for a female applicant with dependent husband; there are children's allowances, ranging from 5s. a week for those under 10 to 12s. for those over 16 years of age. For a single person without dependants, undergoing treatment at home, the rate will be 27s. a week, or 25s. where the applicant is living as a non-dependent member of a relative's household. The scale rates will be increased by a rent payment up to 15s. a week and by a fuel allowance of 3s. 6d. in winter and decreased by national health benefits and payments from employers. Thus, a married couple with three children, aged 14, 12 and 9, would receive £3 13s. 6d. a week without means test, where their rent amounted to 15s., compared with the standard benefit proposed by Sir William Beveridge of £3 4s., which assumed an average allowance of 8s. a child. How soon the allowances will come into force depends on how soon the tuberculosis authorities can set up the necessary machinery—in particular, the machinery for assessing need in the administration of the discretionary allowances. There is a serious shortage of personnel for tasks of this kind. There are two other gaps in the campaign against TB. One is the absence of any decision on the question of subsidising wages for the rehabilitation stage of treatment. The other is the absence of any measure to combat bovine tuberculosis, which, said the Medical Research Council, could be stamped out if all milk were adequately pasteurised.

Reunion Now

For the moment, the dispute between the French National Committee and General Giraud revolves round the how and when of effecting a meeting face to face. The latest document in the case, General Giraud's reply of April 25th, has not eliminated the differences of principle—notably the question of the form and composition of the provisional Government—and it has now become plain that long-range negotiation has exhausted its usefulness. General Giraud has invited General de Gaulle to a meeting in North Africa any time after May 5th. General de Gaulle is anxious to accept, but has announced that he prefers public discussions in Algiers to "a tête-à-tête in the country." Obviously, neither general wishes to be stamped into an unsatisfactory agreement. This niggling disagreement over the place of the conference suggests that neither party is sure of himself. Does General Giraud fear Gaulliste demonstrations in Algiers? Does General de Gaulle fear that undue pressure will be exerted on him at a private session? Time is now working against the generals. Interested parties are using the delay to depict them, however incorrectly, as the symbols of opposing ideologies. No one could be more embarrassed than General de Gaulle when his name was coupled with the singing of the Internationale except, possibly, General Giraud when he is accused of sharing his politics with Laval. All this is retrograde and unhelpful. It can only be prevented by reunion without delay.

THE WORLD OVERSEAS

Eire's Supply Position

(From Our Dublin Correspondent)

April 24th

THE position in regard to supplies was fully explained by the Minister for Supplies in moving the estimate for his department. Although many articles are necessarily scarce, the position is better than might have been expected at this time last year. This fairly satisfactory result is due partly to good management of the limited Irish shipping facilities and comparatively good fortune in their operation, partly to the expansion of home production of foodstuffs and some raw materials, and partly to the efficiency of the rationing schemes and price controls. The outlook for the future is neither uniformly bright nor uniformly sombre. Supplies of some commodities promise to be well maintained, while others threaten to become increasingly scarce.

Food presents on the whole the least serious problem in Ireland owing to the natural fertility of the country and its production of an agricultural export surplus. In spite of the high price offered for wheat and the very large acreage grown, there still appears to be an inexplicable deficiency in the quantity supplied for flour milling. The country would need another hundred thousand acres to be ploughed to become independent of imports. It is most regrettable that part of the precious shipping space available should still have to be devoted to importing wheat. The increase in the area under beet has eased the sugar situation, and the present ration can be maintained and may be increased. The supply of butter is not equal to the demand, but it is intended to accumulate larger stores this summer, so that the position next winter will be easier. Tea continues to be imported on the basis of one quarter of the consumption in the last pre-war years. It is hoped that the present small ration may be increased next winter.

The worst shortages in Ireland have been in respect of fuel for heating and transport. Here the shipping problem is central. Very few foreign ships have entered Irish ports since the war. Apart from a few British tankers carrying petrol, the country has had to rely upon its own shipping, which has been depleted by losses at sea. During the present year, shipping space must be devoted to wheat, sugar, rock phosphates, tobacco, newsprint and small quantities of industrial raw materials. Internal transport has been almost paralysed by the great reduction in the supply of coal and petrol. A complete stoppage of public road transport services was threatened earlier in the year, and may materialise unless supplies improve. The Government is making plans to meet this situation by equipping vehicles with producer-gas plants. Paraffin is in such short supply as to leave a very meagre quantity for domestic lighting purposes. Gas has been most stringently reduced, and there is a shortage of candles. For domestic heating purposes,

resort has been had to timber and turf. The limiting factor on the distribution of turf is transport, but sufficient reserves will be accumulated during the summer to maintain the minimum needs of the country for twelve months. Widespread dissatisfaction is expressed, however, at the price of turf. In the principal cities, the retail price has risen severely in the last two years in spite of the payment of a subsidy at the rate of 23s. 6d. a ton. The net cost to the community is as high as 87s. 6d. a ton. Turf at this price is a very expensive fuel compared with imported coal.

Imports of essential industrial raw materials have been greatly reduced. The supply of textiles of all kinds in the present year will be 22 per cent of normal needs. Savings in the use of materials for clothing have been enforced, and clothes are subject to a rigid points rationing scheme. Supplies of rubber have been better maintained than was expected, but the situation is still very serious. It is hoped to maintain enough new and remoulded tyres to meet the needs of vehicles for essential work and for public transport services for the present year. Three hundred thousand cycle tyres will, it is hoped, be available. Steel is being made at Haulbowline for agricultural machinery, horse shoes, nails and other purposes. It is uncertain whether the furnaces for smelting scrap steel can be completed. Imports of newsprint are only 16 per cent of normal supplies. Newspapers have been reduced to very slender dimensions, but some improvement has recently been experienced.

Severe Rationing

The Minister for Supplies stated that, owing to causes completely outside the control of anyone in Eire, the country is now getting only 25 per cent of its normal requirements of tea, 20 per cent of petrol, less than 15 per cent of paraffin, 16 per cent of normal gas coal consumption, no domestic coal, 10 per cent of normal cotton yarn needs and a total supply of textiles amounting to only 22 per cent of normal requirements. The situation would be a great deal worse than it is if it were not for the severity with which these restricted supplies are rationed. A large range of commodities are subject to maximum price orders, which are to be extended to many more articles in the near future. The success of these rationing and price control schemes depends upon the co-operation of traders or, in default of such co-operation, the ruthless administration of the law. Offences against these orders, and crimes of the black-market variety, are heavily punished, if necessary by the special military court. In some cases, retailers' licences have been withdrawn and sentences of imprisonment are frequent. In spite of this rigid control of prices, the cost of living has risen by 58 per cent since the beginning of the war. The increases for the various groups in the cost of living index are as follows: Food, 54 per cent; clothing, 75 per cent; fuel and light, 84 per cent; and sundries, 59 per cent.

Towards Inflation in Belgium

[BY A CORRESPONDENT]

By the end of 1942, Germany's clearing debt to Belgium had increased to Frs. 24,700 million. This tremendous debt had been incurred over two and a half years of occupation. Nominally, it is almost equivalent to the value of Belgium's total exports in 1937, and represents, according to a German estimate, roughly 50 per cent of last year's national income. At the end of 1940, the clearing debt was small, amounting to Frs. 940 million. Twelve months later, it had increased to Frs. 7,850 million. Though substantial, this

rise did not mean that during 1940-41 trade between Belgium and Germany was entirely one-way. In fact, an official Belgian source estimated that Germany's share in Belgium's imports amounted in 1941 to 66 per cent of their total value, against 11 per cent in 1938. In the same year, Germany received 72 per cent of Belgium's total exports, compared with 12 per cent in 1938. The big increase in the clearing debt in 1942, amounting to Frs. 16,850 million, shows that Germany must have virtually stopped exporting to Belgium. Recent reports show that there is still some trade with other European countries, mainly with Holland, Denmark, Norway, Spain and Italy. So far as figures have been published, it is evident that this trade balance is slightly in favour of Belgium. But the total values are small even compared with Germany's clearing debt.

Germany's clearing debt, together with the costs of occupation and the steady decline in industrial activity, are the determining factors in Belgium's extremely precarious financial situation. A considerable part of Belgium's current industrial output is sold without any equivalent in imports or even in payment, which means that the Belgian Government must make payments to the exporters. For this purpose, the Banque d'Emission has been established, whose main assets are credits granted by the central bank. At the end of 1942, credits granted to the Banque d'Emission amounted to Frs. 26,497 million, against Frs. 10,680 million at the end of 1941, and Frs. 1,881 million at the end of 1940. The central bank provided the necessary currency by printing banknotes, thus creating one of the most important conditions for a currency inflation such as was experienced in Central Europe after the last war.

The accompanying reports of the central bank (shown in the next column), which are now published in detail only at the end of the year, illustrate this. The gold holdings are naturally purely fictitious. The outstanding fact is the increase in the notes in circulation. Its full meaning becomes clear when it is added that payments for German requisitioning, and all payments by the state exceeding Frs. 75,000 are made in part in specially created Treasury bonds which are redeemable

	(In million Frs.)			
	June 25, 1940	Dec. 25, 1940	Dec. 25, 1941	Dec. 25, 1942
Gold (blocked in USA).....	21,089	21,089	21,089	21,089
Gold at the Banque de France.....	558	558	558	558
Gold in Belgium.....	—	8	8	8
Credits to the Banque d'Emission.....	—	1,881	10,680	26,497
Credits to the State, Treasury bonds, and State loans....	8,180	10,097	16,406	20,186
Credits to industry.....	4,748	1,167	820	742
Notes in circulation.....	33,451	34,476	48,299	67,750

after five years and can be used at once for the payment of taxes. Without the fictitious gold holdings and the financial camouflage, the report of the central bank would look very different. The inflationary liquidity of private industry is indicated by the steady decline of central bank credits to industry. Hoarding of banknotes seems to be widespread, and the German Military Commander has repeatedly threatened heavy punishments against hoarding.

Budgeting in Belgium has become an exceedingly complex affair. Revenue and ordinary expenditure have been balanced since 1940. Yet the actual total expenditure created tremendous deficits which had to be covered mainly by short-term borrowing. Revenue was as follows:—

	(In million Frs.)
1940.....	8,172
1941.....	12,283
1942.....	14,607 (estimate)

This rise was effected by increases in all existing taxes. No reform of the revenue system has been attempted. Actual total expenditure, including reconstruction funds, the costs of occupation, amounting to Frs. 5,500 million, and so on, exceeded revenue to such an extent that the deficit in 1940 was estimated at Frs. 13,800 million and Frs. 21,100 million in 1941. In 1942, the deficit will probably have been nearly Frs. 30,000 million. The total national debt rose accordingly from Frs. 59,000 million at the end of 1939 to roughly Frs. 115,000 million at the end of 1942.

These conditions are reflected in the status of the commercial banks. The combined report of the commercial

THROUGHOUT
the World the name of
MILNERS is a synonym
for SECURITY.

The same sound craftsmanship which has made
MILNERS' SAFES and
STRONG-ROOMS so universally
respected is to be found in MILNERS'
STEEL EQUIPMENT, which is designed
to promote business EFFICIENCY.

Able administration is bred on efficient
organisation and equipment. Let MILNERS
help you in your post-war planning.

STEEL
MILNERS
EQUIPMENT

The Safe aid to efficiency

MILNERS SAFE CO. LTD., 21, HAMPSTEAD LANE, LONDON, N.4. Telephone: MQUenview 4624

BUY 3% SAVINGS BONDS 1960-70
POST OFFICE & TRUSTEE SAVINGS BANK ISSUE
• Purchasable in multiples of £5. Interest paid half-yearly
Income Tax not deducted at source. May be
cashed quickly through your Savings Bank.

Issued by the National Savings Committee, London

banks shows that total deposits increased from Frs. 15,709 million at the end of 1940 to Frs. 20,786 million at the end of 1941 and Frs. 27,465 million at the end of 1942. The increase in 1942 amounted to 32 per cent compared with 1941. The deposits of the leading German banks rose during the same period by only 14.6 per cent. Advances made by the Belgian banks declined considerably during 1941, but in 1942 there was a slight increase. As in other countries, the greater part of investments went into Treasury bonds and state loans, which rose from 18 per cent of total investments in 1939 to roughly two-thirds of the total in 1942. Commercial banks have thus become instruments of public financing, and the financial liquidity of a much reduced private industry makes bank credit almost superfluous.

Distrust in general financial conditions is shown by the course of deposits in savings banks. During 1940 and 1941, withdrawals exceeded new deposits considerably. In 1942, however, the trend was reversed. It may be assumed that this was due to the closing down of retail shops and small businesses. Total deposits in savings banks remained almost unchanged, showing a slight increase from Frs. 11,543 million at the end of 1940 to Frs. 12,791 million at the end of 1942.

Worthless Price Stop

It is obvious that under these conditions the price stop decreed by the military commander in June, 1940, is worthless. Indeed, price increases have been sanctioned by the economic administration because of the changeover to more expensive war materials and the rising costs of production and transport. As in Germany, the concentration of industries resulted in considerable financial discrimination, which was counteracted by a co-operative system of financial help after the German model. There is, however, no indication whether sufficient funds have been accumulated by levies on the industries which are still working. Price control is at the same time jeopardised by the black market.

Activities on the Bourse, especially in share dealings, are completely divorced from the actual industrial situation. The outstanding feature is that, in spite of the general decline in declared profits during the business year 1941/42, share prices continued to rise. Over the whole period from the occupation to the end of 1942, the share price index of the Banque de Bruxelles increased by 293 per cent; but since the beginning of 1943 the rise in prices has been slowed down. The organisation of the Bourse has been changed in the same way as the German Bourses, but no registration or requisitioning of shares has been attempted. General speculation ended in 1941; since then, interest has been concentrated on shares of international holding companies, e.g., "Sofina," and particularly on the shares of Belgian colonial companies. It seems that the Belgian public regards these shares as so-called real values, and there is also an indication that German capital is interested in a relatively unrestricted Bourse for the purpose of acquiring shares of international and colonial companies. This may also explain why German leading banks, almost without exception, have established branch banks in Belgium. The first full reports of these banks show substantial profits. Taught by their own inflation of 1919-23, German businesses are actively making the general sell-out in Belgium as profitable to themselves as possible.

Chilean Copper Supplies

[BY A CORRESPONDENT]

April 6th.

THE severance of diplomatic relations between Chile and the Axis last January laid the foundations for still closer collaboration between the Republic and the United Nations. Towards the end of March, Mr Henry Wallace, Vice-Presi-

dent of the United States, visited Santiago, with the object, presumably, of discussing ways and means by which this collaboration can be made effective. There has been no information on the political discussions, which must have taken place during the visit, but Mr Wallace told a press conference at Santiago that he had visited Chile chiefly "to help intensify her production of strategic war materials, and thus help to lessen the length of the war." Reports from the United States have supplemented this statement by saying that "during his stay in Santiago Mr Wallace would try to reach an agreement whereby water-power schemes in Chile would increase exports to the Allies in the vital war needs of nitrate and copper."

The supply of strategic materials certainly forms the main practical help that Chile can give the United Nations. The country has, indeed, supplied the United Nations to the utmost of its ability ever since the United States entered the war, and, in the case of copper, even before that event. But after a big increase in production and exports up to the spring of last year, a period of stagnation in Chile's mineral production set in early last summer. In the case of nitrate, there is no difficulty in raising current production to any quantity for which shipping space can be made available. Early this year, the Chilean Nitrate and Iodine Sales Corporation appointed, in fact, a special representative for the development of new markets in Argentina, Brazil and Uruguay as the United States and the other United Nations are not able to absorb Chile's current nitrate production, owing to the shipping shortage. But the position with regard to copper, the most important Chilean export, and a vital strategic material, is very different. In this case, Chile increased its production from the pre-war maximum of just over 410,000 metric tons, reached in 1937, to 453,600 tons in 1941. By the end of 1941, Chile's production was already running on an annual basis of over 520,000 tons, and, until early last summer, there was a further improvement. But although recent production figures are not available, it is known that, despite a 10 per cent increase in the United States buying price for Chilean copper in August, 1942, which raised the price to 12.375 cents per lb, or 0.375 cents above the United States domestic selling price, supplies from Chile since last summer have not fulfilled expectations. The limit to Chile's copper production is not set by the existing ore reserves. The country's known copper deposits, at 35,500,000 metric tons, contain about one-third of the known copper reserves of the world. The most extensive copper mines of Chile are, moreover, worked by open-cast method, and can thus be developed and exploited with a minimum loss of time. In addition to the three large Chilean copper deposits, to which reference was made in detail in *The Economist* of July 11, 1942 (page 46) the country has, in the words of a special report prepared by the United States Bureau of Mines in 1940, hundreds of properties, once important producers, which are now idle.

Many of these were abandoned when the richer, easily mined oxide-ores had been exhausted and the harder rock with sulphide-ores encountered in depth could not be concentrated without crushing plants and water. Lack of capital or initiative to spend money on mine and mill equipment, on pipe-lines for water, or on roads to facilitate transport and thus put the properties in a position to mine the lower grade ores, are the main reasons for their abandonment.

The Bureau of Mines report added:

Chile's future in mining is a question of reopening a number of old mines, and diamond-drilling on known low-grade deposits to develop sufficient reserves of minable ore to warrant further expenditures on plants that will permit profitable production. Had this procedure not been followed in the past and the adverse conditions for transport, water and power supply at high altitudes been overcome through technical skill and the expenditure of capital by experienced mining companies, the large copper mines of Chuquicamata, Braden and Potrerillos would never have been developed.

Copper requirements of the United States, and of the United Nations as a whole, today far exceed all maximum requirements in the past. As copper has become one of the acutest war shortages of the United Nations, this is certainly the time for taking up the plans foreshadowed by the US Bureau of Mines in 1940. The execution of such plans, however, raises not only the problem of the supply of materials and equipment for the development programme, but also the political question of Chile's participation in the scheme. For some years past, Chile has expressed the natural desire to have a larger financial share in its mining industry, and especially in its copper industry, 95 per cent of which is controlled by the United States. This question probably accounted for an important part of Mr Wallace's discussions with the Chilean Government.

THE BUSINESS WORLD

Finance and Banking

Big Bill Turnover

The ease of credit promised by last week's Bank return duly materialised, and conditions in the money market this week have been exceptionally comfortable. The market has had to take up another heavy allocation of Treasury bills, having obtained a 40 per cent allotment at last week's tenders for £90 million of bills. The outlet for bills, however, has been correspondingly large. The banks have been keen buyers of June bills, but the market has sold as many of these maturities as it wishes to dispose of at present. The parcels offered to clearing banks have, therefore, come to include an increasing admixture of July maturities. There has been an order for "hot" bills in the market this week—a sufficiently unusual occurrence to deserve notice—and this also helped the market to take up its heavy allocation of fresh bills with ease. The banks were called upon to pay £65 million in Treasury Deposits this week, a figure which compares with nominal maturities of £50 million, and effective maturities well below this figure, as pre-encashments of the current maturities were fairly heavy. On floating debt account, therefore, there has been considerable pressure on the volume of bank cash. On the other hand, Government expenditure, swollen by the May 1st dividend disbursements, has also been heavy, and the credit position has not been unduly strained. This is shown by the latest Bank return, which reveals bankers' deposits still at the comparatively high level of £162,092,000, though this is £8,017,000 lower than a week previously. Some help to the credit position has been given by allowing public deposits to run down by £4,610,000 to the exceptionally low figure of £3,733,000. The combined reduction in banker and public deposits is approximately balanced by a fall of £11,245,000 in Government securities. Notes are not returning from circulation after the holiday expansion, and the total issue increased by a further £526,000 during the week to last Wednesday.

Lend-Lease Silver

The Lend-Lease Administrator's statement on US silver deliveries to Britain, made last week to the Senate Silver Committee, added considerably to the information previously available on this operation. Mr Stettinius announced that Great Britain was faced with an acute shortage of silver for industrial and coinage purposes and that existing stocks would be completely exhausted by the end of this month. He added that British supplies from India had dried up because of the heavily increased industrial and coinage demands for silver in that country. On this point Mr Stettinius may have been slightly misinformed, since political considerations are mainly responsible for depriving the British Government of any further part of the large unutilised silver stocks of the Government of India, while, even if the silver were free to move, there would be considerable shipping difficulties to be faced. The amount of 5,000,000 ounces of silver which Great Britain is obtaining from the United States and Canada is required to meet the needs for the first half of 1943, that is, for a month, since existing stocks will last until June 1st. Of these 5,000,000 ounces, one-third is required for industrial purposes and two-thirds for domestic and overseas coinage. Of this total, Canada has undertaken to supply 1,925,000 ounces, and the balance of 3,075,000 ounces will come from the United States on lend-lease terms. Mr Stettinius gave some figures of US silver stocks which give perspective to the lend-lease delivery. As compared with its 3,000,000 ounces, there are more than 500 million ounces of Treasury free silver stored at West Point and elsewhere. This is after 700 million ounces have been withdrawn by the Defence Plant Corporation for non-consumptive use, that is, for industrial installations from which the silver

can be recovered after the emergency. These huge totals do not take into account the silver held to back silver certificates, which amounts to more than 1 billion ounces. These constitute a reserve which, given sufficient pressure, could always be mobilised by the simple process of replacing silver certificates by Federal Reserve Notes. In the light of these figures, Mr Stettinius could hardly be accused of overstatement when he asserted that "the withdrawal of the amount proposed would cause no strain on our national resources." But it is evident from the facts he gave about the existing and prospective silver position in this country that this lend-lease delivery will be but the first of a series of such operations.

Marketing the Silver

It is both hoped and believed in the bullion market that the distribution of the lend-lease silver to industry will be left to the market. The immediate amount involved, one-third of 5 million ounces, would certainly not justify the erection of new official distributive machinery. Nor is it believed in market quarters that the silver in question will be sold at a higher price than the figure of 23½d., at which official sales have been effected in this market virtually since the beginning of the war. The position would no doubt be different if the British silver stocks had to be replenished from India, since, in accordance with the assertion recently made by the Government of India, such silver would have to be bought at a price at least equal to the US import price, which is about 1d. above the present London quotation. Since the lend-lease silver will have to be repaid in kind to the United States after the war, the distribution of that silver to British industry at 23½d. per ounce would imply a confident belief by the British authorities that the post-war price of the metal will not be higher than this figure. It can also be argued that since the silver in question will go to war industry and will ultimately be consumed by the British Government, the price at which it is made available to industry is really immaterial. If it were raised, this would merely increase the prices which the Government would have to pay for the goods manufactured with the silver in question. There have been no indications yet that the exhaustion of British silver stocks and their replenishment with lend-lease metal will affect the nominal ability of the London market to deal in "free" silver. Although operations in such metal as reaches the market from other than official quarters are termed "free," it by no means follows that they have been made without any supervision. The few firms which constitute the market have operated their own unofficial control of the demand for "free" silver, and it is more than doubtful if any undesirable demand for the metal, such as hoarding or speculative buying, has been satisfied through the market. The authorities have their own ways of checking the efficacy of this unofficial control of the "free" market, and they appear to be satisfied that it accomplishes all that comprehensive official control would achieve. Given the exceptional shortage of silver in this country, the market firms may be expected to scrutinise the demand for "free" silver more closely than ever and to ensure that all such silver is, in fact, canalised to essential industrial requirements.

STAPLES PRESS LIMITED

are bringing out a series of Digests on Reconstruction, of which three have already appeared. They will be glad to receive, at 203, Regent Street, W.1, reports from bodies and associations who have discussed any aspect of Reconstruction. They are immediately concerned with Transport, Monetary Reconstruction, Town and Country Planning, Education, Foreign Trade and Agriculture.

HAVE YOU PLANNED

a secure future for yourself? If not, learn how you can ensure this through RAPIDISM, the fascinating new course approved by experts.

Write now for free Booklet to:
THE RAPIDISM INSTITUTE,
827, TUITION HOUSE, London, S.W.19.

Bank Loan Rates

The decline in the banks' loan and overdraft rates is still making progress. The latest evidence of this movement is the virtually unanimous decision of the clearing banks (with one exception, not the usual one) to reduce to a uniform 3½ per cent the rate charged on all church advances. These have, for the most part, been made for building purposes and in many cases have the support of diocesan guarantees. Even so, the security behind them hardly appears to entitle them to rank on a par with advances to industry having effective Government guarantees, which now command the same rate of 3½ per cent. Whether special consideration has been given to the ethical element in the security behind these loans, or whether this is the banks' answer to the Archbishop's recent homilies against usury, is not clear. The concession, however, can hardly do other than give impetus to a further decline in the average rate charged on bank loans. The old 5 per cent minimum is now a dead letter except for borrowers who have no means of bargaining with their banks and must accept the terms set before them. But a large number of advances with security at least equal to that backing church loans are still paying between 4 and 5 per cent, and the concession just made to the latter may well be found to spread ultimately to a much wider circle of borrowers than the banks intended to propitiate by their gesture.

Financing Far Eastern Exports

The chairman's commentary on the latest balance sheet of the Mercantile Bank of India gives an interesting explanation of the wartime revolution which has occurred in the financing of export trade from the Far East. The feature of the balance sheet changes over the year 1942 is a decrease in bills, loans and advances, balanced by an increase in cash and Government securities. To some extent, this redistribution of assets is due to the fact that the bank's branches in Burma and the Far East are out of action, and to the consequent reduction in the commercial banking business transacted by the Mercantile Bank.

Investment

Compensatory Equity Movements

The March experience of industrial equities, when yields rose despite a modest advance in prices, has not been repeated in April. According to *The Actuaries' Investment Index*, the figure for all classes of industrial equities just achieves a new record for recent years of 75.1, and there is a compensatory fall in the corresponding yield to 4.38,

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928 = 100)			Average Yields		
	April 28, 1942	Jan. 26, 1943	Mar. 30, 1943	April 27, 1943	April 27, 1942	Mar. 30, 1943
	1942	1943	1943	1943	1942	1943
2½% Consols	146.9	146.5	146.2	144.7	3.04	3.05
Home Corps. (4)	141.8	145.0	143.8	143.3	3.29	3.24
Debtures (Distr.) (9) ..	111.5	115.1	115.7	114.8	3.89	3.75
Debtures Total (43) ..	117.9	121.2	122.1	121.9	4.03	3.89
Preference Total (101) ..	104.9	109.8	112.3	112.7	4.45	4.32
Insurance Cos. (10)	100.8	102.6	99.1	100.5	4.03	4.20
Aircraft Mfg. (5)	49.5	70.5	72.4	70.6	10.91	7.39
Building Mats. (6)	63.4	87.1	88.4	89.7	4.38	3.33
Elec. Light & Power (16) ..	109.5	117.9	115.6	113.4	4.29	4.04
Total Productive (90)	61.2	76.2	76.4	76.3	5.21	4.52
Home Rels. (4)	47.6	75.5	71.8	78.8	7.61	6.03
Total Distributive (29) ..	47.1	65.8	66.7	66.5	4.87	4.16
Breweries (20)	114.9	137.0	135.9	138.4	5.09	4.52
Total Miscellaneous (40) ..	58.0	81.0	81.2	82.2	4.92	4.24
Industrial— (All Classes) (159)	59.4	74.7	74.9	75.1	5.10	4.40

which is, however, well short of constituting a new low. The two main movements of the month are a rise of almost 10 per cent in home railways and a further fall of 2.2 points to 113.4 in electric light and power. This follows on a much sharper fall in March, and it reduces the aggregate index for the productive section to within 0.1 of that for

But it also follows the changed methods of financing the trade with those countries to which the bank's operations are now confined—India, Ceylon and Mauritius. The volume of that trade has, in any case, been considerably restricted by shipping difficulties, and now mainly consists of the staple exports, tea, jute, seeds, hides, rubber and sugar. Before the war, those exports were mainly financed by bills of exchange. These bills were bought by the exchange banks, and in normal times a large proportion of the funds of these institutions were always "on the water," that is, invested in bills drawn against goods in transit by sea. These crops are now bought in bulk by the supply departments of the Government and are paid for in rupees in the country of export. Thus the commercial bill of exchange has become scarce, and exporters have less need for advances from their banks to finance the purchase, preparation and storage of produce for export. It is not only the exchange banks which have been adversely affected by this development. It has also greatly influenced the London discount market and the London produce exchanges.

Scottish Bank Notes

The Scottish banks are following the lead of the Bank of England in discontinuing the issue of bank notes of £10 and over. The notes hitherto issued by these institutions are of the denominations of £1, £5, £10, £20 and £100. In certain cases, their note issue has expanded at an even more rapid pace than that of the Bank of England, and their general experience seems to suggest that, as in the case of the Bank of England, the notes of larger denominations now represent a somewhat greater proportion of the total issue than they did before the war. There is no question of recalling the notes of £10 and over, but as they return to the banks they will be cancelled and no further notes of larger denominations will be printed. It is not yet known whether a similar move will be made by Irish banks having a Northern Ireland note circulation. There is, of course, no question of Eire following the Bank of England's lead.

January, a temporary peak. On the three months' comparison, a net fall of 4.5 points in electric light and power, and much smaller declines in motor and oil shares, almost suffice to offset considerable rises in a number of sections, particularly building materials and gas stocks. It is rather difficult to justify the fall in electric power shares. At the end of last month, the yield on them was 4.12 against 4.38 for the whole industrial list. In view of the upward secular trend in the industry, this yield appears to make some concession to the idea that holders may be expropriated on terms which make insufficient allowance for probable future earnings. The very slight appreciation in the equity index has been accompanied by a rise of twice as much in that for industrial preferences, but the corresponding debentures have fallen, while the home corporations index is down by 0.5 and that for 2½ per cent Consols by three times as much. As the nearest approximation to the pure rate of interest at long term, the yield on this index has a special importance and the fact that, at 3.08, it is now at the highest since August, 1941, tends to support those who believe that the authorities will have difficulty in maintaining, in its integrity, the wartime structure of rates once there is any relaxation of control. Thus, the month has produced a further relative appreciation in equities, but mainly by a fall in fixed interest securities.

A Brewery Fusion

Firms are commonly supposed to amalgamate in times of difficulty, and some were rather surprised to learn some time back that Hodgsons' Kingston Brewery was considering an offer to take over its properties. The full particulars of the scheme have now been made public, and they present some points of interest. Courage and Company are offering to buy the Hodgsons' shares outright for cash at 85s., against a market quotation of 81s. 3d., and a considerably lower one prior to the original announcement of

negotiations. Shareholders are, however, offered the alternative of accepting £14 8s. in cash, and two Courage shares for every five Hodgsons' ordinary. This gives the Courage share a value of 68s. 6d., which was the market quotation when negotiations commenced. As the current quotation is 74s. 3d., the offer is very attractive. Further, Hodgsons' shareholders are given the right to apply for additional Courage shares at 68s. 6d. up to the total of their present holdings. This is equally attractive, if only the market price is considered, and applications are likely to be substantial. The total issue is, however, limited to 150,000 shares, and allotments will be *pro rata*. The terms are made even more attractive by the fact that in the past Courage have paid higher dividends than Hodgsons', although for the latest complete year each distributed 15 per cent. Hodgsons' appear to have achieved a record earnings percentage of 28.3 for the year to September 30th last, while the Courage figure was 27 per cent for the calendar year. The latter, which has attained its present size by a policy of absorptions, has recently accumulated a considerable surplus of liquid assets, while the

former, judged purely on its balance-sheet figures, appears to have been rather short of cash. On a ten-year run, the average equity earnings of Courage are some 27 per cent, against 20.9 per cent for Hodgsons'. There seems every reason why shareholders should accept the option to take up Courage shares, even after a fall in price to 72s.

Gaumont Reorganisation

The financial reorganisation of the Gaumont-British group is carried a step further by an offer to holders of the 7½ per cent cumulative participating preferred ordinary capital of Provincial Cinematograph Theatres. These shares, to a total of £2,000,000, rank after £700,000 of preference capital for a cumulative preferential 7½ per cent and for half the remaining profit—up to a total dividend of 15 per cent—after £75,000 has been provided for ordinary dividends. It is now proposed that holders should abandon the

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA.)

Dr.		BALANCE SHEET, 31st DECEMBER, 1942.		Cr.	
CAPITAL AND LIABILITIES		PROPERTY AND ASSETS.			
To Capital Account—	£ s. d.	By Freehold and Leasehold Properties, Reservoirs and Ventures at cost, less depreciation ...	£17,912 1 0		
Registered 2,200,000 shares of 5s. each	550,000 0 0	„ Shares, Debentures, etc., at or below market value at 31st December, 1942, or, where not quoted, at Directors' valuation—			
Less 40,005 shares of 5s. each in reserve	12,251 5 0	365,250 Hivoortzicht G.M. Co., Ltd.	Shares of 10s. do. £1		
Issued 2,159,995 shares of 5s. each	537,748 15 0	196,818 City Deep, Ltd.	do. £1		
Investment Reserve Account—		85,807 Consolidated M.R. Mines & Est., Ltd.	do. 10s. do. £1		
As per Balance Sheet, 31st December, 1941 ...	3,437,032 13 7	571,746 Crown Mines, Ltd.	do. 10s. do. £1		
Deduct—Amount written off Investments less amount realised by the sale of Investments in excess of the book value thereof	19,583 15 8	83,200 Daggafontein Mines, Ltd.	do. 10s. do. £1		
	3,417,448 17 11	293,077 Durban Deep, Ltd.	do. 10s. do. £1		
Less—Re-transfer to Appropriation Account of amount by which sales of Investments have exceeded purchases during the year	98,482 4 8	135,919 East Daggafontein Mines, Ltd.	do. 10s. do. £1		
	3,318,966 13 3	121,191 East Rand Proprietary Mines, Ltd.	do. 10s. do. £1		
Shareholders—		27,362 Ferreira Estate Co., Ltd.	do. 1s. do. £1		
For Dividends declared but unpaid ...	1,841,468 12 2	58,904 Goldenhul Deep, Ltd.	do. 17s. 6d. do. £1		
Creditors, Accrued Liabilities and Contingency Reserve	950,653 12 0	41,182 Grootevlei Proprietary Mines, Ltd.	do. 10s. do. £1		
	2,792,122 4 2	35,241 Holfontein (T.C.L.) G.M. Co., Ltd.	A. do. 10s. do. £1		
Balance of Appropriation Account—		83,528 do. do.	B. do. 10s. do. £1		
Unappropriated ...	1,445,625 5 1	9,808 Laco Proprietary Mines, Ltd.	do. 10s. do. £1		
Contingent Liabilities.		28,724 Libram G.M. Co., Ltd.	do. 10s. do. £1		
There are Contingent Liabilities in respect of commitments to guarantee and subscribe for shares in and to finance certain undertakings and for contracts open for the supply of Stores, etc.		41,575 Marivalo Consolidated Mines, Ltd.	do. 10s. do. £1		
		136,772 Modderfontein B. Gold Mines, Ltd.	do. 5s. do. £1		
		100,267 Modderfontein East, Ltd.	do. 10s. do. £1		
		207,035 New Modderfontein G.M. Co., Ltd.	do. 10s. do. £1		
		195,113 North Vaalwater Petroleum Co., Ltd.	do. 13s. 4d. do. £1		
		60,511 Nourse Mines, Ltd.	do. 10s. do. £1		
		37,692 Pretoria Portland Cement Co., Ltd.	do. 10s. do. £1		
		144,565 Rose Deep, Ltd.	do. 10s. do. £1		
		56,250 Sparia Trinidad Oilfields, Ltd.	do. 10s. do. £1		
		78,632 South African Coal Est. (Witbank), Ltd.	do. 10s. do. £1		
		41,978 The Hume Pipe Co. (S.A.), Ltd.	do. 10s. do. £1		
		12,400 The Anglo-Spanish Construction Co., Ltd.	do. 10s. do. £1		
		2348,000 The Anglo-Spanish Construction Co., Ltd. (70% repaid)	6% Debts. Shares of £1		
		92,000 Toco Oilfields of Venezuela, Ltd. (in liq.)	do. 10s. do. £1		
		65,483 Transvaal Con. Land & Explor. Co., Ltd.	do. 10s. do. £1		
		39,908 Trinidad Leaseholds, Ltd.	do. 10s. do. £1		
		67,008 Van Dyk Consolidated Mines, Ltd.	do. 10s. do. £1		
		29,833 Venterport G.M. Co., Ltd.	do. 10s. do. £1		
		31,563 Vlakfontein G.M. Co., Ltd.	do. 10s. do. £1		
		355,612 Vogelstruisbult G.M. Areas, Ltd.	do. 10s. do. £1		
		88,450 Welgedacht Exploration Co., Ltd.	do. 10s. do. £1		
		127,666 West Rand Consolidated Mines, Ltd.	do. 10s. do. £1		
		46,837 Witbank Colliery, Ltd.	do. 10s. do. £1		
		Sundry Shares, Debentures, etc.	464,841 9 5		
		Shares in Subsidiary Companies	42,887 10 0		
		Buildings, Plant, Stores, Vehicles, Furniture, etc.	£4,829 10 0		
		Debtors and Debt Balances—			
		Advances to Subsidiary Companies	£15,768 8 5		
		Advances to other Companies, etc.	57,000 0 0		
		Payments on account of mining supplies in stock and in transit for account of sundry mining companies	11,569 1 11		
		Current Accounts, Loans and Payments in Advance, etc.	22,792 11 6		
			107,130 1 10		
			111,969 11 10		
		Deposits Fixed and on Call	3,090,095 17 10		
		Government Stocks, etc.	610,868 10 5		
		Cash at Bankers and in Hand	37,369 19 1		
		Dividends to be received on Shareholdings	387,468 10 1		
			4,125,787 17 5		
			4,287,747 9 8		
			£8,094,462 17 6		

Dr.		APPROPRIATION ACCOUNT.		Cr.	
CAPITAL AND LIABILITIES		PROPERTY AND ASSETS.			
To Taxation ...	£ s. d.	By Balance Unappropriated—	£ s. d.		
Dividend Account—	46,348 1 7	As per Balance Sheet, 31st December, 1941 ...	£1,375,907 18 1		
Dividend No. 78 of 80% on 2,150,995 shares of 5s. each (£587,748 15s. 0d.), declared 11th June, 1942 ...	£430,199 0 0	„ Balance of Profit and Loss Account—			
Dividend No. 79 of 80% on 2,150,995 shares of 5s. each (£587,748 15s. 0d.), declared 10th December, 1942 ...	430,199 0 0	For the year ended 31st December, 1942 ...	874,464 14 11		
	860,398 0 0	„ Forfeited Dividends Account ...	3,516 9 0		
Balance Unappropriated—31st December, 1942—	1,445,625 5 1	„ Amount retransferred from Investment Reserve Account	98,482 4 8		
Carried to Balance Sheet		NOTE.—The Accounts have been drawn up in accordance with the normal practice of the Company, any provision for the depreciation of Property, Shares and Debentures, etc., and the result of transactions therein during the year having been dealt with through the Investment Reserve Account shown in the Balance Sheet.			
	£2,362,371 6 8		£2,362,371 6 8		

The Full Report and Accounts may be obtained from the London Secretaries, A. MOIR AND CO., 4, London-wall Buildings, London, E.C.2.

participating right and receive in future a 10 per cent cumulative preferential dividend. Over the past decade, there have only twice been participating distributions on the preferred ordinary, namely 1½ per cent in respect of each of the two years ended January 31, 1938 and 1939. Profits, before reserve, have been slightly below the level of £250,000, but there is every reason to suppose that, for a period at least, they will be better. With distributable profits at or below £300,000, the proposed change would be beneficial to the preferred ordinary. Above that figure, they would lose a gradually increasing amount until, at £525,000, they would receive only £200,000, against £300,000, under the present arrangement. Obviously, for the semi-speculative holder, who should make up the majority of those who are interested in such a stock, the main question is the future course of the concern's profits. This is a matter upon which it is very difficult to reach a decision, although popular opinion evidently favours a material improvement. For those who prefer security, a rise in the cumulative payment to 10 per cent will doubtless be attractive, and this explains the acceptance of the scheme by the Association of Investment Trusts. Since the scheme is put forward by a board of directors which is essentially the same as that of Gaumont-British, the controlling company, it may reasonably be assumed that the plan is not considered to be disadvantageous to Gaumont-British. The directors have, however, also a duty to the preferred ordinary shareholders of PCT. This conflict of loyalties serves to accentuate the need for a clear statement as to the structure of the whole group and for its simplification with a view to eliminating such conflicts.

Sir Percy Bates Explains

In the report of Cunard Steam Ship, dealt with a fortnight ago, the chairman, Sir Percy Bates, stated that it was to give expression to a reasonable confidence as to the future that the directors had recommended an interim dividend in respect of 1943, but that it must not be taken for granted there would be a final dividend in a year's time. Later, he made the now famous statement:

If I thought it were any use advising that no one should hold more ordinary stock than he could afford to lose, I would give that advice. But by nature man is a gambling animal. . . . The future may contain anything, but for myself I carry on in a spirit of reasonable but cautious hope.

This was read by *The Economist* as scarcely encouraging, and the public's reaction may be gauged by a fall from 20s. 9d. to 19s. 3d. in the quotation for the ordinary stock almost within hours of the publication of the statement. It appears that this effect came as a complete surprise to Sir Percy. In any case, he took advantage of the annual meeting to explain, or at least to expand, it. As reported, he said:

During the whole of its sixty years and upwards as a public company, the board has never felt itself in a position to declare an interim dividend. I must allow that fact to speak for itself. If you understand what it means to break a tradition of sixty years, I think you will understand the statement of the accounts a good deal better. There are too many uncertainties in the future to give any figures of dividends. This company has had thirteen years without a dividend. A great many important things have happened and I think the board and company can look back with satisfaction and pride. I think the corner has been turned now and, subject to our wartime uncertainties, I think we can be confident of the future.

On this statement, the shares recovered to 20s. 4½d. Doubtless, Sir Percy finds himself hampered by the injunction against disclosures that might assist the enemy—a doctrine which ignores at least half the problem. But it is extremely difficult to reconcile a statement that it is the act of a gambler to hold Cunard ordinary with the concluding sentence of the latter quotation. Is this really the best that can be done for the shareholders and the employees, ashore and afloat, of one of the principal units in an industry which is held to be the pride of the country and a mainstay of our fortunes. Rightly or wrongly, the public at large looks to people who occupy positions at the head of such an enterprise to give guidance and a just assessment of the position as they see it. Prophecy cannot be expected, but a clear statement is. Even if these two statements can be reconciled, neither conforms to that definition.

Synthetic or Natural

There has been no dearth of discussion of late as to the relative merits of synthetic and natural rubber, including even the question of their relative prices. It was only natural that Mr Harold Copeman, chairman of the Rubber Growers' Association, should raise this point in his annual address. He dealt with it shortly, only to reach the conclusion that research in rubber and plastics might lead to the discovery of new uses for the former and that this, coupled with the expansion of the demand for tyres by Asia, and the peacetime extension of new wartime uses for rubber might well repay investigation. There was not a word in all this of the part to be played by the RGA. It may be that at last that body is energetically engaged upon research into the fields where plantation rubber is supreme and upon investigations which will lead to its production at a lower cost. If so, Mr Copeman said nothing of it. He is more concerned with whether synthetic rubber falls within the definition of raw materials under the Atlantic Charter. There seems to lie behind this a hope that, whatever advantages the American manufacturer is to extract from the huge American synthetic industry, his British counterpart may be left to rely upon the natural product. It is earnestly to be hoped that no such argument will prevent the British Government from encouraging the erection of plant in this country for the fullest exploitation of the chemical advances in which the war has been rich. It is equally to be hoped that the existence of an international scheme for the regulation of rubber output will no longer be allowed to postpone the drastic overhaul of the cost structure and the elimination of the producer whose costs are unduly high.

Company Notes

Yorkshire Amalgamated Collieries

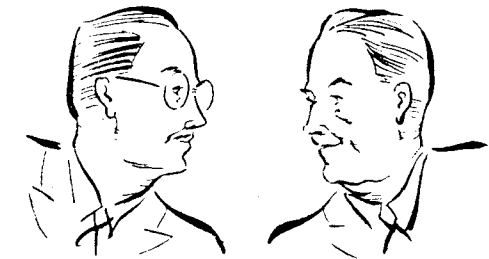
The preliminary statement of Yorkshire Amalgamated for the year to March 31st last shows a marked improvement in net profits from £85,126 to £127,950. In the previous year, the net figure included £581 refund of income tax, but there is no indication as to whether there is a similar item in 1942-43. Assuming that no refund has been received, equity earnings will have risen from £77,046 to £120,450, a level which is, however, still rather over £9,000 lower than the total for 1940-41. There is still no payment on deferred capital, but the dividend on ordinary is restored from 5 per cent to the 6½ per cent paid in 1940-41. This would make it possible for the directors to add a few hundred pounds to the carry forward and to transfer £25,000 to general reserve, which received a similar amount two years ago, but nothing in 1941-42. The allocation of the surplus is not, however, revealed by the preliminary statement. No explanation of the recovery is provided, but it is probable that it results from the absence of certain special charges made a year ago. These included income tax provision in respect of the increase in the standard rate to 10s. in the pound and a generous allocation for EPT. The first of these is non-recurrent, and the scale of the second will, probably, be reduced. Further, war-damage contributions will also have been lower. Whether there has been a parallel improvement in earnings would not be apparent from the accounts, owing to the failure to disclose EPT. The figures are more favourable than was expected, in view of the fall in global production, and the £1 ordinary shares recovered to 18s. 9d. ex dividend, at which they yield some £6 18s. 8d. per cent.

William Beardmore Report

Less and less can be deduced from the profit and loss statements of the leading heavy industrial concerns. The important marine engineering concern, William Beardmore, again shows profits after depreciation and tax, amounting to £213,965, against £211,671, for the year to December 31, 1941. In its way this is satisfactory. Part of the rise is passed on to equity earnings, which amount to £157,584 against £156,770, representing 33.1 against 33.0 per cent. The 10 per cent dividend remains generously covered, and a repetition of the transfer of £100,000 to war contingencies, against

INDUSTRIAL LIGHTING

You provide the raw material—you have provided the equipment with which to turn that material into finished goods—but can your workers see well enough to use the equipment and the raw material to the best advantage?

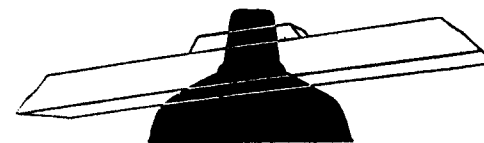


Benjamin Lighting is designed to suit every operation so that all the workers in your plant can see well to handle their machines efficiently, to prevent the waste of goods wrongly finished, to reduce fatigue due to eye strain and to avoid accidents either at their machines or benches or when they are moving about.

The correct planning of a lighting installation to ensure the best seeing conditions requires considerable knowledge and skill. Not only must the lighting unit itself be suitable and the reflector direct the light in a suitable

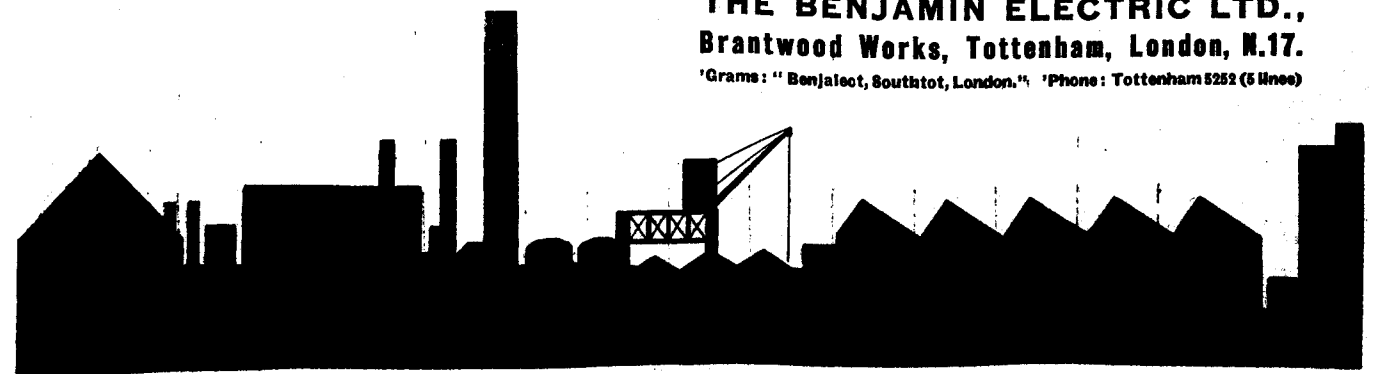
manner, but they must be placed in such a manner that adequate light reaches the parts of machines where it is particularly needed to enable details to be seen, distances to be judged or finished to be examined. The handicap of obstructions likely to throw shadows must be overcome and the danger of causing glare, direct or reflected, in the eyes of any worker must be avoided.

That is what Benjamin have been doing for many years in all kinds of factories. To-day Benjamin are ready and equipped to deal with your works. Resident lighting engineers in all parts of the country are available to deal with lighting at the works and they are backed up by a staff of expert illuminating and research engineers.



BENJAMIN LIGHTING

THE BENJAMIN ELECTRIC LTD.,
Brantwood Works, Tottenham, London, N.17.
'Grams': "Benjaleot, Southtot, London." 'Phone: Tottenham 5282 (5 lines)



double that amount two years ago, permits a rise of some £10,000 to £234,499 in the carry forward. Clearly, such accounts provide no indication of the industrial experience of the past year, a state of affairs perhaps inevitable during the war, but hardly enlightening to shareholders. The balance-sheet provides the obvious conclusion that turnover has in fact expanded considerably—an encouraging development at the present stage of hostilities. The statement shows that net work in progress is up from £1,583,580 to £1,907,901, a level still slightly below that of 1940. This rise and that in cash from the low level of £4,017 to £292,243 is financed by a fall of some £500,000 in debtors to £712,773 and smaller reduction in stocks from £831,193 to £668,021. On the liabilities side, the bank loan of £260,441 is eliminated at the cost of a rise in creditors from £1,533,545 to £1,700,388. The net change is a small reduction in surplus liquid assets from £1,873,570 to £1,847,300. The £1 ordinary stock at 32s. 3d. ex dividend yields some £6 4s.

Johnson and Phillips Improvement

Total profits of Johnson and Phillips in 1942 rose from £543,019 to £568,552. The total transfer to depreciation and maintenance is up from £72,394 to £102,706, but tax provision, adjusted to include in both years tax on dividends, is reduced from £320,000 to £310,000. There are no other significant rises in expenditure, so that equity earnings are up from £91,452 to £94,245, representing 23.5 against 22.8 per cent on the ordinary capital, which receives the customary 15 per cent. As before, £30,000 is transferred to contingencies and £5,000 to research and development account, occasioning a further small reduction in the carry forward from £102,478 to £101,724. This improvement is in line with the general run of electrical equipment manufacturing concerns. As with accounts already published, the rise in profits appears to be based on a very substantial jump in turnover. Total profits disclosed for 1942 are the highest so far achieved, and the increase in equity earnings suggests that some increase in capital employed may have been responsible for a modification of EPT liability. The balance sheet shows a striking rise in stocks and work in progress from £647,904 to £826,912, accompanied by an increase of £50,000 in bank overdraft to £300,000. Debtors and creditors are both higher, while cash is reduced from £67,871 to £55,193 and net loans to subsidiaries from £181,825 to £138,510. The draft on research and development account at £6,886 is nearly double that of a year ago, and the latest transfer brings the total to only £10,483 against £12,370. There is actually a rise in net liquid assets from £145,081 to £163,400. The position is encouraging, although ordinary shareholders are unlikely to derive direct benefit from any expansion, since the management has a long-standing policy of dividend equalisation. The £1 ordinary shares, at 70s., yield £4 6s. 8d. per cent.

Brush Electrical Progress

Trading profits of Brush Electrical Engineering in 1942 rose from £184,484 to £214,336. Total charges are increased, largely by new issue expenses and premiums on debentures converted, but compensation of £8,000 has been paid to a director. Taxes call for £25,000, against nil, but last year £16,500 was written off patents, while equity earnings are £54,794 against £57,362. Owing to the increase

in ordinary stock, which this year receives 8 against 6 per cent, the actual earnings rate has fallen from 29.1 to 16.8. The expansion of ordinary stock from £393,318 to £594,717 during the past year has been effected, in part, by the conversion of the outstanding debenture stocks, in part by exercising options totalling £58,229. The transfer to general reserve is halved at £25,000, while the carry forward is raised by £3,670 to £10,271. In common with other concerns in the industry, the balance sheet indicates some expansion in output. The consolidated statement shows stocks at £1,303,949, almost £200,000 higher on the year, while debtors have increased nearly £100,000 to £549,310. New bank loans total £143,189, and there is an expansion of approximately £50,000 in creditors to £979,155. As a result, the group's surplus of liquid assets is some £37,000 higher at £680,259, although the reverse is true of the parent, the surplus falling from £631,666 to £575,146. This is explained by a credit balance with subsidiaries of £35,039 against a debit of £58,926. The group's plant and machinery stand at £309,078 against £237,241, and there is an addition of nearly £30,000 to land and buildings at £195,113. The company's past record is not encouraging, but with the elimination of the debenture stocks and expansion of capacity, further improvement can be expected in the coming year. It remains to be seen, however, whether the present expansion of capital is warranted in the post war period. The current price of 8s. 6d. ex dividend for the 5s. ordinary stock yielding £4 14s. reflects some optimism regarding the future.

Central Mining-Rand Mines

The annual reports of the Central Mining-Rand Mines companies making up their accounts to December 31st last do not make cheerful reading. Almost all the mines concerned have suffered during the year from restriction of output, following official advice to conserve steel and other war material. There has also in many cases been an acute shortage of native labour which, toward the end of the year, restricted the use of mining plants. Thus, as the table below makes plain, the general trend is for declines in tonnage milled and in revenue per ton. Working costs are mostly lower, but working profits are almost all down and dividends are, on the whole, lower. There was no exception to the reduction in available ore reserves, and in most cases there was no improvement in payability. The exceptions to this rule are few. *Durban Deep* had a favourable year, and the strength of its normal expansion is sufficient to offset the influence of war conditions, even including the rise in the Union "special contribution" from 16 to 20 per cent. Working profits rose from £1,225,000 to £1,251,000; the dividend is raised from 35 to 40 per cent and there is an improvement of 0.1 dwt. in payability. On the other hand, the decline of the poorer mines within the group has been hastened. *Geldenhuis Deep* is now virtually at the end of its life. There has been considerable caving as the result of earth tremors from which *Rose Deep* also suffered, and it is doubtful whether the current programme can be continued for the whole of 1943. In view of the very small ore reserves, amounting to no more than 162,000, the 17s. 6d. shares, now standing at 12s. 6d., can be considered only in relation to their break-up value. The remaining mines should survive the war crisis without disaster. The rise in gross income of *Crown Mines* and of payability of *City Deep* are both encouraging, and, in the case of the former, development on the Main Reef Leader yielded unusually satisfactory results.

CENTRAL MINING-RAND MINES

Mines: Years Ending December 31	Tonnage Milled ('000)		Revenue Per Ton		Working Costs Per Ton		Working Profit (£'000)		Dividends		Reserves*			
											Tons ('000)		Averaging (dwts.)	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
City Deep.....	1,344	1,343	38/7	37/5	26/3	25/3	£ 829	£ 818	25	25	4,114	3,693	5.2	5.3
Crown Mines.....	4,131	3,777	39/4	39/4	22/2	22/4	3,485	3,212	155	130	19,518	17,191	4.8	4.8
Durban Deep.....	2,393	2,380	30/8	30/4	20/5	19/10	1,225	1,251	35	40	7,882	7,843	4.4	4.5
East Rand Prop.....	2,683	2,592	34/2	32/10	23/8	22/6	1,414	1,346	35	35	10,245	9,986	4.8	4.7
Geldenhuis Deep.....	830	773	21/2	20/4	17/2	18/5	168	74	22.8	12.88	611	162	3.3	3.3
Modder B.....	1,089	1,067	29/-	28/5	15/5	15/5	739	696	50	40	2,744	2,407	3.8	3.8
Rose Deep.....	1,051	1,032	25/11	25/6	19/7	19/4	334	319	20	20	2,461	2,280	3.9	3.9

* Available ore reserve in all cases.

West African Gold Mines

The reports of *Ashanti* and *Bibiani*, the leading West African gold producers, show a parallel experience for the year to September 30th last. Disclosed total profits dropped from £2,291,426 to £2,044,019 and from £752,433 to £648,616 respectively. There was, however, in both cases a reduction in local gold taxes, administrative expenses and general mining charges, while tax liability declined from £300,000 to £100,000 and from £180,000 to £100,000. In the case of *Ashanti*, the drop may be due in part to earlier overprovision, but it is very possible that disclosed profits of £1,900,000 represent something near the level at which EPT begins to be payable. There is a slight increase in depreciation from £111,728 to £115,382, but this does not prevent a rise in equity earnings of some £40,000 to £1,046,537, representing 87.6 against 82.8 per cent. The 80 per cent dividend, which was also paid in the two previous years, is less tax at 10s. and the whole surplus goes to raise the carry-forward from £322,502 to £370,193. In the case of *Bibiani*, the rise in equity earnings is less

marked—from 24.1 to 25.1 per cent—and even now only just suffices to cover the 25 per cent ordinary dividend distributed for the fourth year in succession. The carry-forward is up from £94,932 to £95,188. It is evident from the balance sheets that output fell off last year. Virtually all current items in both statements are moderately lower, though the sharper falls in cash are explained by the acquisition of tax certificates and war bonds. This decline in activity is borne out by the directors' statement which reveals a decline in ore treated by *Ashanti* of 18,300 tons and by *Bibiani* of 41,900 tons. Ore reserves are somewhat lower in both cases, though for *Ashanti* there is a rise in average grade of 0.3 to 21.9 dwts. It seems improbable that the lower output is due to the impact, or prospect, of the official schemes for concentrating gold production in West Africa and how far these schemes will affect the operation of *Ashanti* and *Bibiani* is not yet clear. At current prices, the shares of the two concerns are fully valued. The 4s. shares of *Bibiani*, at 22s., yield £4 10s. 11d. per cent less tax at 9s.; the 4s. ordinary shares of *Ashanti* at 56s. 10½d. yield £5 12s. 6d. per cent less tax at 10s.

Industry and Trade

Coal Output

There has been a further slight drop in coal production. During the four weeks ended April 17th, output averaged 4,005,200 tons, compared with 4,013,700 tons during the previous four-weekly period. Both figures are well below the national target of 4,173,200 tons. The district percentages of standard tonnage are as follows:—

	Per Cent.		Per Cent.
Northumberland.....	97.0	S. Staffordshire & Worcestershire	91.6
Cumberland.....	94.2	Shropshire.....	100.9
Durham.....	97.5	Warwickshire.....	93.4
South Yorkshire.....	95.3	South Wales & Monmouthshire.....	95.1
West Yorkshire.....	92.4	Forest of Dean.....	97.5
North Derbyshire.....	100.3	Bristol.....	96.5
Nottinghamshire.....	96.9	Somerset.....	102.8
South Derbyshire.....	101.5	Fife & Clackmannan.....	95.1
Leicestershire.....	107.0	Lothians.....	98.8
Lancashire & Cheshire.....	98.3	Lanarkshire.....	95.6
North Wales.....	95.3	Ayrshire.....	95.6
North Staffordshire.....	101.2	Kent.....	99.8
Cannock Chase.....	94.6		

* The standard tonnage of this district is under review by the Local Reviewing Authority, in accordance with Paragraph 2 of the rules governing the operation of the Scheme.

Only four districts qualify for the bonus—Leicestershire, Somerset, South Derbyshire and North Staffordshire. The first three have consistently good production records, but some of the districts, including Yorkshire and South Wales, have failed to qualify for a bonus in any period since the scheme was introduced. In contrast to this unsatisfactory picture, it is encouraging to learn that output per manshift over the industry as a whole (in the most recent four weeks for which figures are available) was 1,056 tons, compared with 1,048 tons before the acceptance of the Government's White Paper.

Tobacco Off Lend-Lease

Lord Kindersley's speech in opening the Tunbridge Wells Wings for Victory Week seven days ago was of general interest in that it disclosed the news that tobacco no longer comes into this country as a lend-lease item (except for the Forces), and that it came off the list three months ago. No official reasons for this have been vouchsafed. A possibility is that the earlier view that tobacco was a necessity on a par with food has been altered. Lend-

lease supplies have high shipping space priority, and it is more than likely that it is now considered that such priority should not be accorded to a semi-luxury. Indeed, strong disapproval has been expressed that tobacco was ever included in lend-lease, and its removal is to be welcomed. Officials of the Tobacco Control hastened to assure the smoking public that supplies would not consequently be cut down, and declared that stocks were ample for the remainder of the year. It is also known that the Controller, Mr. Maxwell, is at present in America. The rising consumption of tobacco has been accentuated by the war in the absence of restriction. Imports of unmanufactured tobacco were 182,392,000 lbs. in 1937. If the rise in consumption during the war has been correctly estimated at 20 per cent, more than 100,000 tons a year is required to be shipped.

The Ministry of Food and "The Trade"

The general principles on which control has been exercised over the food trades were laid down by the Food (Defence Plans) Department. Schemes for particular foods were drawn up in consultation with experts and representatives of the trade. The Report of the Department for 1937 says:—

Control will be exercised through machinery operated, so far as practicable, by food traders themselves, and before each plan is completed care will be taken to see that it is understood and regarded as workable by the trades concerned.

The machinery which has been set up consists, in the main, of associations of importers, producers and distributors, some of them voluntary and some compulsory. A few of the associations began their operations on September 1, 1939, and others have come into being as the need for them has arisen. The most important of the older associations are the Meat Importers' National Defence Association, Limited, and the Bacon Importers' National Defence Association, Limited. They unload stores, and distribute supplies to wholesalers. Marcom, Limited (formed in July, 1940), arranges for the manufacture, sale and distribution of margarine and edible fats. There are associations for the cocoa and chocolate and sugar confectionery trades, whose

THE PROVIDENT ASSOCIATION OF LONDON, LIMITED

PROVIDENT HOUSE, 246 BISHOPSGATE, LONDON, E.C.2.

FOUNDED 1877. Authorised by Act of Parliament, Intituled Provident Association of London Act, 1910.

LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES. ATTRACTIVE ANNUITY RATES

TOTAL FUNDS

£15,782,775

W. W. BENHAM, Chairman.

Total Advances upon House Property to Policy-holders exceed

TWENTY-FOUR MILLIONS

J. G. SLEIGH, Managing Director.

avowed policy is to combine control in the interests of consumers with the maximum freedom for individual firms. The Ministry fixed price schedules, which were worked out by the Associations, which also negotiate with the Ministry on questions of supply and allocation of raw materials. Membership is compulsory for producers of 25 tons or more annually. The National Egg Distributors' Association, Limited, was set up at the time of egg rationing to act as the Ministry's agents. There is another association to sell and distribute milk powder. The Ministry has no control over Bemast, Limited, and unlike most of the other associations and companies, has no representative on its board. On the other hand, Bemast depends on the Ministry's orders in performing its functions of buying fish from Newfoundland and Nova Scotia. War-time alliances of manufacturers of cake and biscuits, soft drinks and cereal breakfast foods were formed for the primary purpose of concentrating the production of these foods.

The characteristics of each section of the trade have been taken into account in the functions assigned to each association, and in the differences to be found in the constitutions. In general it is true that the Ministry's relations with the trade have been made easier by the wartime associations. Fish provides an outstanding example of what may happen without such a link. The danger that the trade association may shape the policy of the Ministry rather than the Ministry that of the trade has not been avoided, however, in the case of strong trade associations. The delay in the introduction of the National loaf is a case in point. In the same way, it is possible that another factor making for the Ministry's success in dealing with the trade despite the many potential dangers and disadvantages of the practice, has been the appointment of controllers from the trade. (Fish, again, is one of the few commodities controlled by an outsider.) The story might otherwise have been different.

Coastal Tramp Shipping

Owners of coasting tramp ships, the only class of shipping not requisitioned by the Government, have put into operation a "Mutual Compensation Scheme." The financial control over these ships is almost as complete as in the case of requisitioned vessels. It is exercised by the Ministry of War Transport by means of schedules of freight rates covering the various trades, the rates for different voyages being based on a scale of "daily hire rates" made up of averaging operating costs and allowances of 5 per cent for depreciation and interest on average ship values respectively, these percentages being the same as under the requisition agreements. In operation, however, the experience of individual owners, usually small units, may be very different from the average results of the fleets as a whole—owing to higher depreciation charges on new, costly vessels, lengthy periods out of service undergoing repairs or substantial overtime payments in port. The purpose of the new scheme is to compensate owners suffering in these ways, or through other exceptional circumstances not taken into account in determining the rate, compensation will be paid out of a fund made up by proportional contributions from all owners participating (very few have remained outside). The scheme has been under discussion for about two years. It was referred to in *The Economist* on June 14, 1941, and May 2, 1942. The delay in bringing it into operation is presumably due partly to the difficulties of obtaining adequate support from the large number of small firms engaged in the trade, which has little experience in co-operative action, and partly to the slowness of negotiations with the Ministry of War Transport. It appears that, in effect the scale of contributions under the scheme will be a matter for agreement with the Ministry and will correspond with increases in the "daily hire rates," so that the latter may represent the true cost of operating the tonnage.

Poultry Rations

The increase in the ration of balancer meal for domestic poultry from 4 lbs. to 5 lbs. per month for each shell egg registration surrendered is welcomed by those who keep hens. Balancer meal is the stuff which makes the eggs, and any other food eaten by the hens is in the nature, mainly, of bulk. Since there are about four million people who keep

a hen or hens instead of obtaining their egg ration through the normal channels, nearly 2,000 extra tons of balancer meal will be distributed monthly. Doubtless this amount is easily available; but the reason unofficially given for allowing it to domestic poultry keepers is, to say the least, questionable. It has been suggested that the new ration has been granted to prevent the feeding to hens of bread and other foodstuffs fit for human consumption. This is, of course, illegal. It is a good principle of law that laws should be easy to keep, but it is not a good principle to ease the law because it is being broken. Commercial poultry keepers are to have some share of the larger stocks of cereal feeding-stuffs which have accumulated owing to exceptional weather conditions, but these will not be obtainable as of right. Keepers who are prepared to take delivery of the whole of their summer ration before June 30th will be entitled to an extra month's ration.

Cotton Stabilisation

Two Governments last week introduced measures to stabilise raw cotton prices. In the United States the Office of Price Administration stabilised the price for 15/16 in. middling at 21.38 cents per lb; and in India an Order was introduced prohibiting all persons from entering into forward transactions for new crop cotton or cotton options. While the Indian move is only the first step towards the solution of a difficult position arising from the country's general inflationary development, and a 26 per cent reduction in the last Indian cotton crop, the United States stabilisation order has a more final character. It is the direct consequence of the new "hold-the-line anti-inflation order," and is one of the steps towards the stabilisation of clothing prices to which President Roosevelt referred in his broadcast speech last Sunday. As international trade in cotton has been completely dislocated by the war, the two stabilisation moves are of purely national importance. They will not affect cotton prices in this country, which have for the past two years been fixed, and not directly influenced by price developments in the main overseas trading centres. The United States move, however, deserves special attention, as it covers a decisive part of today's world cotton consumption. In the last pre-war season (year ended July 31, 1939) world consumption of raw cotton, according to the New York Cotton Exchange Service, amounted to 28,507,000 bales, of which 6,858,000 bales were consumed in the United States. In 1941-42 world consumption had fallen to 25,806,000 bales; in the same season the United States absorbed no less than 11,300,000 bales. There are no reliable consumption estimates for the current season, but the general trend of rising production in the United States, and a further reaction in most other countries (except certain small consuming areas, especially Latin-American) has been maintained.

Prices of Non-Food Goods

The Oxford Institute of Statistics conducted a miniature survey into the rise in retail prices since the war of various goods other than food, drink and tobacco. The results are given by Mr G. D. N. Worswick in the Institute's *Bulletin*, Vol. 5, No. 4, dated March 13th. Information was obtained from three shops in Oxford; one gave an estimate of the average rise in price, from which indices were obtained. The base is vaguely defined as pre-war = 100, and the following rounded figures to this shop's prices at the beginning of this year: Furniture, 250; household textiles, 265; hardware and china, 185; fancy goods, 185; leather and travel goods, 185; drugs and toilet goods, 150. From a second shop, the following indices, based on 40 items, were obtained: Hardware and china, 176; fancy goods, 195; leather and travel goods, 234; drugs and toilet goods, 155. The third shop gave an index of 166 for 60 hardware and household items, of which gardening equipment was 154, and other items 169. It is unfortunate that the Ministry of Labour's cost of living index cannot be used as a guide to changes in the price of these goods; it only deals with a few of them, in a group which includes tobacco, fares and newspapers, and which has a small significance in the total index (the weight allotted to it is 1 in a total of 12½). The Institute's researches are an attempt to define the considerable rise which is apparent in prices of household and similar goods. In view of the smallness of the sample the value of the conclusions of the article must be warily estimated. An outstanding example of the range of the price changes is given by the difference in the indices for leather and travel goods; in the first

shop it is 185, and in the second 234. Mr Worswick finally concludes that prices of non-food merchandise have risen by 75-100 per cent since the war. The average housewife would probably consider this to be an underestimate. Consumers' problems in regard to durable and semi-durable goods, as much as being concerned with the great rise in prices, are aggravated by scarcity. There are complaints of maldistribution of some of the necessarily small supplies, and there is no guarantee that they go to consumers who need them most. This is a problem for the Board of Trade.

The Sources of Sulphur

Sulphur is the most valuable non-metallic mineral after common salt—sodium chloride. As an element its most important application is in the vulcanisation of rubber, natural and synthetic. It is used in insecticides, paper, paint pigments, explosives and textiles. The rayon industry consumes carbon bisulphide as a solvent. Sulphur is the major raw material for manufacturing sulphuric acid—easily the leading heavy chemical and a vital solvent employed by a score or more key chemical and metallurgical industries. In recent years the United States has been producing nearly 75 per cent of the world's sulphur, Italy 10 per cent, Japan 4 per cent, and Spain, Chile and the Dutch East Indies 2 per cent each. The United States is thus in a position fully to satisfy the sulphur needs of the United Nations. Axis Europe depends largely on Italian native sulphur, supplemented by elemental sulphur extracted from Norwegian pyrites and by-product sulphur from industrial and waste gases. Japan is virtually self-sufficient. Nearly all America's ample sulphur comes from the salt domes of the Gulf Coast region in Texas and Louisiana, and was developed during the last war, when pyrite imports from Spain were curtailed at a time when the demand for sulphuric acid rose steeply. Output of the acid rose from 4,047,000 short tons in 1914 to 6,726,000 in 1917. The consumption of domestic sulphur rose from 267,000 in 1914 to 969,000 in 1917. By 1941 production of sulphur totalled 3,150,000 tons and consumption for all purposes nearly two million tons. Output last year exceeded 3,500,000 tons and stocks at the Gulf Coast mines alone were above 4,000,000 tons. From 1896 to the end of 1940 the United States produced in all 49 million tons of elemental sulphur. The country's consumption of sulphur and sulphuric acid by principal industries is divided as follows:—

Sulphur Consumption in 1941 in Long Tons		Sulphuric Acid Consumption in 1941 in Short Tons	
Chemicals*	1,060,000	Fertilisers*	2,500,000
Fertilisers and Insecticides	450,000	Chemicals	1,790,000
Pulp and Paper	360,000	Iron and Steel	1,450,000
Explosives*	83,000	Oil Refining	1,400,000
Paint and Varnish	65,000	Coal Products	940,000
Dyes and Coal-tar Products	65,000	Non-ferrous Metals	800,000
Rubber	55,000	Paints and Pigments	700,000
Food Products	6,000	Rayon and Cellulose Film	555,000
Miscellaneous	95,000	Textiles	190,000
		Explosives*	165,000
		Miscellaneous	550,000
Total	2,239,000	Total	11,040,000

* Including substantial tonnages absorbed by war industries.
Source:—Estimates by Chemical & Metallurgical Engineering.

America is an important exporter and the British Empire countries, largely lacking in natural sulphur, are the principal importers of the commodity. Canada has no native sulphur but elemental sulphur, sulphuric acid and ammonium sulphate are obtained from smelter gases and pyrites. The amount thus obtained in 1939 had a sulphur content of 96,000 tons. Great Britain extracts sulphur from industrial gases. Australia has taken steps to do so. India has native sulphur in Baluchistan to satisfy her vital needs. Palestine produced 1,400 metric tons of the commodity and exported 1,045 tons in 1940. The importance of American sulphur to the Empire countries is illustrated by the following table:—

To	US SULPHUR EXPORTS					
	Crude Sulphur (in Long Tons)			Sulphur Crushed, Ground, etc. (in 1,000th)		
	1938	1939	1940	1938	1939	1940
United Kingdom	99,135	112,810	245,469	4,935	5,001	3,987
Canada	82,651	142,437	197,746	5,237	6,687	5,983
Australia	108,465	109,341	78,766	3,806	1,143	708
New Zealand	43,167	49,753	64,776	300	282	211
South Africa	11,298	19,911	29,460	1,251	1,823	2,580
Total, incl. other destinations	579,107	627,819	746,468	28,463	56,102	44,229

From the table it can be seen that exports of crude sulphur have, in all cases except Australia, risen considerably.

NOTICES

THE STERLING TRUST, LIMITED

(Formerly The Alabama, New Orleans, Texas and Pacific Junction Railways Company, Limited)

REDEMPTION OF FIVE PER CENT. "A" AND "B" DEBENTURES

NOTICE IS HEREBY GIVEN that in accordance with the Conditions endorsed on the above Debentures, as modified by Supplemental Trust Deed of 18th October, 1940, the Company will repay at 101 per cent, on 1st November, 1943, the whole of the £438,120 outstanding "A" Debentures and £1,005,640 outstanding "B" Debentures with interest at the rate of 5 per cent. per annum (less tax) to the date of repayment.

Holders of "A" and "B" Debentures are given the right, exercisable up to the 22nd May, 1943, to exchange all or any of their "A" or "B" Debentures for an equal nominal amount of 3½ per Cent. Debenture Stock, 1963/73, which has been created by the Company for the purpose of the above redemption. Holders exercising such right will be paid in the ordinary way a half-year's interest to 1st May, 1943, at the rate of 5 per cent. per annum (less tax) on the "A" or "B" Debentures exchanged and not later than 1st June, 1943, will receive a cash payment at the rate of £2 per cent. on the nominal amount of the Debentures exchanged representing the difference between the redemption price of 101 per cent. and the price of 99 per cent. at which the new Debenture Stock is offered in exchange. A full half-year's interest (less tax) will be paid on the new Debenture Stock on 1st November, 1943.

Holders of "A" or "B" Debentures desiring to accept the above offer should immediately apply for particulars of the new 3½ per Cent. Debenture Stock and the necessary Exchange Acceptance Form, which can be obtained on application at the Company's Registered Office, 310 Gresham House, Old Broad Street, London, E.C. 2, or at the Company's Bankers, Messrs Glyn, Mills and Co., 67 Lombard Street, London, E.C. 3.

The Trustee of the 3½ per Cent. Debenture Stock, 1963/73, will be Share and General Investment Trust, Limited. Consent of the Treasury has been obtained to this issue under Regulation 6 of the Defence (Finance) Regulations, 1939. It must be distinctly understood that in giving this consent the Treasury does not take any responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

By Order of the Board,

A. J. BEEDELL, Joint Secretary.

310 Gresham House, Old Broad Street, London, E.C. 2.
1st May, 1943.

CITY OF REGINA

FIVE PER CENT. CONSOLIDATED REGISTERED STOCK, 1943-63

For the purpose of preparing the Interest Warrants due 1st July, 1943, the BALANCES will be STRUCK on the evening of the 1st June, 1943, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st May, 1943.

PROVINCE OF ONTARIO

THREE AND A HALF PER CENT. REGISTERED STOCK, 1946, AND FOUR AND A HALF PER CENT. REGISTERED STOCK, 1945-65

For the purpose of preparing the Interest Warrants due 1st July, 1943, the BALANCES will be STRUCK on the evening of the 1st June, 1943, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st May, 1943.

DOMINION OF CANADA

THREE AND A QUARTER PER CENT. REGISTERED STOCK, 1958-63

For the purpose of preparing the Interest Warrants due 1st July, 1943, the BALANCES will be STRUCK on the evening of the 1st June, 1943, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL, Financial Agents of the Dominion of Canada in London,

EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st May, 1943.

PROVINCE OF NEW BRUNSWICK

FOUR PER CENT. REGISTERED STOCK, 1949

For the purpose of preparing the Interest Warrants due 1st July, 1943, the BALANCES will be STRUCK on the evening of the 1st June, 1943, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st May, 1943.

PROVINCE OF QUEBEC

FOUR AND A HALF PER CENT. REGISTERED STOCK, 1954

For the purpose of preparing the Interest Warrants due 1st July, 1943, the BALANCES will be STRUCK on the evening of the 1st June, 1943, after which date the Stock will be transferred ex-dividend.

For BANK of MONTREAL,
EDWARD POPE, Manager.

47 Threadneedle Street, E.C. 2. 1st May, 1943.

COMPANY MEETINGS

MERCANTILE BANK OF INDIA, LIMITED

EFFECT OF WAR-TIME CONDITIONS

SIR CHARLES INNES'S STATEMENT

The fiftieth annual general meeting of the Mercantile Bank of India, Limited, will be held in London on the 18th instant.

The following is an extract from the statement by the chairman, Sir Charles A. Innes, K.C.S.I., C.I.E., circulated with the report and accounts:—

The salient features of the balance-sheet are considerable increases in our cash and Government securities coupled with decreases in bills and loans and advances. These features are partly due to the fact that all our branches in Burma and the Far East are out of action owing to the Japanese invasion, and that the field of our operations is now confined to India, Ceylon and Mauritius. Partly they reflect the changes brought about by war conditions in the trade which before the war the Eastern Exchange Banks used to finance.

DIMINISHED VOLUME OF TRADE

The volume of that trade has been greatly diminished by the restrictions on imports and exports which shipping difficulties have necessitated, and the character and machinery of the trade have also changed. Before the war it was merchant trade and it was financed for the most part by bills of exchange. These bills were bought by the Exchange Banks, and in normal times a large proportion of our funds is always on the water, that is invested in bills against goods in transit by sea. Now there is little shipping space except for goods required for the war effort, among which must especially be mentioned the great staple exports of India, Ceylon and Mauritius, tea, jute, seeds, hides, rubber and sugar.

All these are now purchased in bulk by the supply departments of His Majesty's Government, and they are paid for in rupees in the country of export. Thus the commercial bill of exchange has become scarce, and moreover in present conditions exporters have less need for advances from the banks to finance the purchase, preparation and storage of produce for export. I am making these remarks not in any spirit of complaint but purely by way of explanation. The development I have mentioned is just one of the incidents of the war. But we may at least hope that it is merely a temporary phase. It is not only the Exchange Banks that have been affected. We may well hope that one of the objects of the Government's reconstruction policy will be to restore the City of London to its former position of pre-eminence in the finance of international trade.

CASH AND SECURITIES

There is also another reason for the increase in our cash and securities. The monthly statistics published by the Reserve Bank of India show that in August, 1939, just before the outbreak of war, current deposits with the scheduled banks averaged 123 crores and that the proportion of advances to all deposits was 47 per cent. In August, 1942, current deposits had risen to 295 crores, and the proportion of advances to all deposits had dropped to 21 per cent. By the end of January, 1943, there had been a further increase of current deposits to 351 crores. The fact is that for reasons which must be plain to all who know India, the Government of India have not found it possible to exercise the same control over prices and profits as has been applied in this country.

Large profits are being made and the level of taxation though high is not as high

as in this country. Thus savings are accumulating at a rapid rate. The implications of this fact for the future are obvious. Industrial development has made rapid strides in India during the war and, provided that the savings are not now dissipated in unsound ventures, there should be ample capital resources for further advance after the war. In the meantime, for lack of suitable commercial or industrial outlet, the money is placed in current account with the banks.

RESULTS OF YEAR'S OPERATIONS

In the light of these remarks it is not a matter for surprise that the profit shown in the profit and loss account, namely £131,916, is less than in the previous year. Indeed, it is satisfactory that in all the circumstances the decline was not greater, especially as our working expenses in the East have been increased, not only by the allowances we are making to our interned officers, but also by cost of living allowances to the local staff in branches that are still working. The effect of this latter factor will be even more apparent in the accounts of the current year. The figure of profit has been struck after making provision for all bad and doubtful debts other than those relating to branches in territories occupied by the Japanese.

This is the fiftieth annual meeting of this bank. Before the war we had planned to celebrate the anniversary in a manner worthy of the occasion, but you will agree that in present circumstances the policy we are adopting is the wise policy. We are maintaining the reduction of dividend which was first made in the second half of last year, and we are husbanding our resources against the day when we shall reopen our branches in the Far East. I hope and believe that that day is not far distant, and when it comes I am confident that another era of prosperity and useful service will open up for the bank.

MOSS' EMPIRES, LIMITED

INCREASED DIVIDEND

The forty-fourth ordinary general meeting of Moss' Empires, Limited, was held, on the 5th instant, in London.

Mr R. H. Gillespie (the chairman) presided, and commented on the balance-sheet and profit and loss account for the year 1942, which showed a reduction in debenture stocks by a further £4,800. There was an increase in investments by a further £3,000 in War Bonds, making a total of £78,000 in War Bonds, which excluded £50,000 subscribed to the "Wings for Victory" Week and £100,000 tax reserve certificates. Freehold and leasehold properties had been increased by £25,252 by purchase of a leasehold property. Provision for Imperial taxation amounted to nearly £203,000, representing an increase of £98,000 over the previous year. Trading profits had increased from £237,740 to £334,958. After making all provisions the profit and loss account balance was £111,108 as compared with £104,699 in 1941. The proposed ordinary dividend for the past year was 12½ per cent., against 10 per cent. for 1941, and they carried forward to the current year's account £45,325. Over £300,000 had been paid in entertainments tax, making £4,300,000 since inception of the tax.

The Chairman said that in these exceptional times it was difficult to attempt to forecast the future of any business, but trading results had been satisfactory since the beginning of the year, and the standard of attractions had been maintained. It was believed that the Ministry of Labour was satisfied that a very material contribution was being made in the provision of additional entertainment for the benefit of the Services and workers in munition factories.

The report was unanimously adopted.

ARMY AND NAVY STORES, LIMITED

ANOTHER SUCCESSFUL YEAR

STRONG FINANCIAL POSITION

The annual general meeting of the Army and Navy Stores, Limited, was held, on the 5th instant, at the company's premises, Howick Place, Westminster, S.W.

Brig.-General Sir Frederick Gascoigne, K.C.V.O., C.M.G., D.S.O., the chairman, in the course of his speech, said: I would like to remind you that this is the fourth occasion during the war on which I have addressed you, and that the balance-sheet before you is the third one, under war conditions, that has been submitted to you. During these three years we have managed to pay a dividend of 7½ per cent.—that is if you agree to our recommendation on the present occasion—and, what is equally, if not more, important, to strengthen our financial position generally.

I do not know what the feelings of our shareholders were at the beginning of, say, 1940, but your directors certainly did not anticipate that after three and a half years of war they would be able to present a balance-sheet as satisfactory as I hope you will consider the one we are presenting today to be. This has been brought about by reductions of expenses at home and by the very satisfactory results of our Indian branches.

FINANCIAL STRENGTH MAINTAINED

The result of our reduced expenses and our increased trading profit is a net profit of £186,043, or almost exactly £74,000 more than last year, which I hope you will consider satisfactory.

It has not been easy to adapt our organisation built up over the course of years to the new conditions, and we are fully alive to the many inconveniences the restricted services and supplies have caused our customers.

It can be no secret to those of you who do your shopping personally that much of our selling space has been requisitioned by the Government. Other space, previously occupied, as stock rooms, has also been taken over. Although it has meant considerable dislocation and rearrangement, we have, of course, willingly co-operated with the Authorities, who, on their side, have shown us every consideration.

The uppermost aim of your directors during the past three years has been to preserve the sound financial position of your company and to maintain its goodwill until we return to normal times and can continue the development of the Stores, to which the war temporarily put a stop. Your financial position has been preserved and your goodwill has not been impaired.

GOOD BUSINESS IN INDIA

Business in India remains good, and stocks are sufficient to see us through the financial year, which ends there in August. It is true that the greater part of the profit made there has to be handed back in the way of Excess Profits Tax, but the balance makes a nice addition to our general profit.

As regards the prospect of your business as a whole during this year, the volume of trade at home for the first three months has not been unsatisfactory; expenses are likely to be on a lower level even than last year; and the trade in India continues to be good. There is no reason to think the results there will not be as good as last year. The unknown factor is to what extent we shall be able to replace our stocks in this country as they are sold. Everything depends on that. You know how much we had to start the year with; we have been fairly successful up to the present in acquiring new stocks; and you can rely on us doing our best in this respect in the future.

The report was adopted.

E. POLLARD AND COMPANY, LIMITED

RECORD TURNOVER

The thirty-first annual general meeting of E. Pollard and Company, Limited, was held, on the 5th instant, at 159, St. John's Street, Clerkenwell, London, E.C.

Mr H. Edward Pollard, the chairman and managing director, who presided, said: This is the thirty-first annual report of the company, though actually it is nearly half a century since the beginning of the business of shop fitting, which has developed into the present organisation, covering, as you are aware, many ancillary trades and manufactures. To some extent it is also the end of the first period of our war trading, because many outstanding matters have been concluded and extended contracts completed, while certain taxation matters, the subject of an appeal, have been agreed in a satisfactory manner with the authorities.

The turnover of the year under review was easily a record for the company. All our factories were fully extended, and in spite of the continued difficulties all manufacturers are experiencing, a record output was reached. Great credit is due to the staff and management for their unceasing efforts, and also to the factories, both the permanent employees and the newcomers, for their co-operation.

PROFIT AND DIVIDEND

The profit for the year ended December 31, 1942, is controlled by the Excess Profits Tax, and, after providing for this, was £86,172. From this is deducted the items in the profit and loss account and also the War Damage Insurance, redemption of debentures and income-tax, leaving £31,880 available. Out of this the 7 per cent. dividend on the preference shares has been paid and £10,000 placed to reserve, and so with the amount brought forward from the previous year there is left £46,270. The directors recommend a dividend of 7½ per cent. on the ordinary shares, leaving a balance of £34,783 to be carried forward to 1943.

Comparing balance-sheet items at the end of 1942 with the corresponding figures at the end of 1941, you will notice the greater liabilities in the bank overdraft and in creditors, both due to increased trading. Taxation also shows a large increase, and in this connection reserve has been made to cover the estimated liability for Excess Profits Tax on the 1942 profits and a part—about £10,000—of the income-tax on these profits. The latter is in the nature of a deferred liability, since the actual payment does not become due until 1944.

The reserve, including the debenture reserve, now stands at £27,200, as against £15,487 in the 1941 accounts. On the asset side of the balance-sheet there is an increase in the amount due from subsidiary companies accounted for by advances made to them during the year for the liquidation of certain charges on two of their buildings. Still their buildings are now fully let and are showing a profit.

WORK IN PROGRESS

You will notice that there is a decrease in the amount of stock, which we are unable to replace owing to present restrictions. Work in progress now stands at £430,992 net, as against £267,472 in 1941, and the sundry debtors are now £436,287, as against £290,118. It will be seen that the total of these main trading assets is £936,173, as against £659,231 in 1941.

In regard to the future I can only say that at the present time we are very busy indeed, our order books are full, and there is no indication that our factories will be otherwise than fully employed in the current year.

With a view to strengthening the technical side of the board a seat has been offered to, and accepted, by Mr A. C. Marsh, who has been in active management of the company's factories for a

number of years. The members will be asked to approve his appointment by re-electing him at this meeting.

The report and accounts were unanimously adopted, and the dividend of 7½ per cent. on the ordinary shares for the year was approved.

Mr A. C. Marsh and the director retiring by rotation, Mr A. C. Caldicott, were re-elected to the board, and the auditors, Messrs A. R. Welchman and Company, were re-appointed for the ensuing year.

ASHANTI GOLDFIELDS CORPORATION LIMITED

MR JAMES H. BATTY'S REVIEW

The annual general meeting of this company was held, on the 5th instant, in London.

Mr James H. Batty, chairman of the corporation, in the course of his speech, after paying a tribute to the late Lord Luke, said that it was proposed to convert the issued shares into stock, and the necessary resolution to give effect to this would be submitted to the meeting.

The profit for the year amounted to £1,156,537. As mentioned in the directors' report, it was recommended that a final dividend of 35 per cent., less tax at 10s. in the £, should be paid on May 6, 1943. This, with the interim dividend of 45 per cent. paid on August 27, 1942, made a total of 80 per cent. for the year under review. The sum of £100,000 had been appropriated for excess profits tax, and it was proposed to transfer the sum of £10,000 to the staff pension fund. The amount carried forward at September 30, 1942, was £370,193.

Some reduction in output had been inevitable and the figures for the year were 210,000 tons treated for 235,527 ounces of gold. Costs, excluding development, rose by some 1s. 8d. per ton, partly as a result of the lower tonnage but chiefly on account of the rising cost of stores and spare parts.

Development at 7,304 feet was only one third of the previous year's figure. The work was for the most part confined to the lower levels of the main shaft section. It was not possible to do much development on the lower grade Obuasi South Reef.

The reserve showed a fall of 40,505 tons, due to less development, and an increase of 0.3 dwt., owing to most of the productive development having been on the richer levels adjacent to the main shaft at the bottom of the mine. This condition of things was likely to persist until development could be extended to the less accessible and lower grade Obuasi South Section. The reserve represented over nine years' supply of ore on the present basis.

With regard to current operations, he hoped they would maintain their present scale of output.

The following resolutions were passed by the meeting:—

Approval of the report and accounts.

Declaration of dividends.

Re-election of three directors.

Re-appointment of auditors.

Conversion of 6,242,787 ordinary shares in the capital of the company which had been issued and fully paid up, into ordinary stock.

BIBIANI (1927) LIMITED

MR JAMES H. BATTY'S ADDRESS

The annual general meeting of this company was held, on the 5th instant, in London.

The chairman, Mr James H. Batty, in the course of his speech, after paying a tribute to the late Lord Luke, said that it was proposed to convert the issued shares into stock, and the necessary resolution to give effect to this would be submitted to the meeting. A considerable amount of clerical work would be saved, and the change would in no respect affect the present rights of shareholders.

The profit for the year at £230,256 had been arrived at after allowing £70,259 for depreciation on plant, machinery and buildings and main shafts.

As mentioned in the directors' report, it was recommended that a final dividend of 17½ per cent., less tax at 9s. in the £, should be paid on May 6, 1943. This, with the interim dividend of 7½ per cent. paid on August 27, 1942, made a total of 25 per cent. for the year under review. The sum of £100,000 had been appropriated for excess profits tax, and it was proposed to transfer the sum of £5,000 to the staff bonus fund. The amount carried forward at £95,188 would be practically the same as the previous year.

Difficulties connected with staff and stores had compelled them to somewhat reduce their throughput. 252,000 tons had been treated for a return of 76,711 fine ounces of gold.

Very little development had been possible in the mine. The greater part of the 6,033 feet driven was for stope preparation, and in connection with ventilation and filling arrangements.

On the metallurgical side extraction had improved to just over 90 per cent. A satisfactory feature had been the success of the research department in finding methods to reduce consumption of imported chemical reagents.

With regard to current operations, the company hoped at least to maintain its present scale of output.

In conclusion, the Chairman said that much attention had been devoted during the past year to making the company as independent as possible of overseas supplies.

The following resolutions were passed by the meeting:—

Approving the report and accounts.

Declaration of dividends.

Re-election of two directors.

Re-appointment of auditors.

Conversion of 2,500,000 ordinary shares in the capital of the company which had been issued and fully paid up, into ordinary stock.

PINCHIN JOHNSON AND COMPANY, LIMITED

RECORD TURNOVER

MR EDWARD ROBSON'S REVIEW

The annual general meeting of Pinchin Johnson and Company, Limited, was held, on the 5th instant, at Tigbourne Court, Witley, Surrey.

Mr Edward Robson (the chairman) presided.

The directors' report stated that trading during the year had been extremely complicated owing to the extended control of essential materials and labour, but in spite of such difficulties the company's turnover established a record. All foreign and overseas units, with the exception of those in enemy-occupied territories, had continued to operate successfully.

The continued high level of stocks and outstanding debts, together with the slight diminution of available cash resources, must still dictate a conservative policy in regard to dividend distributions. Prospects for the immediate future continued to be dependent upon the requirements of the Government Services, industrial activity and export trade.

The chairman's statement circulated with the annual report and accounts was as follows:—

"Following the practice of the past two years, the proceedings at the annual general meeting will again be formal, and my statement to the shareholders is therefore circulated with the report and accounts. Recent restrictions imposed on the use of paper for this purpose make it imperative that I be as brief as possible.

Post-war planning of the company's interests is continuing to receive the earnest attention of your directors, and I would again emphasise that the technical activity in the company's laboratories has

(Continued at foot of next page)

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

ALTHOUGH there has been little expansion in turnover during the past week, demand has been sufficient to raise *The Financial News* ordinary share index to a new high of 99.1. In contrast, the *gilt-edged* market was dull until midweek, with small persistent losses for the irredeemable and long-dated stocks. In a quiet *foreign bond* market, both Japanese and Chinese bonds weakened. Demand for *home rail* issues, in particular equities, was strong. GWR and LMS ordinary stocks rose 1 and ½ points respectively, while among the marginal issues LMS 4 per cent 1923 preference was particularly strong. Argentine rail issues rallied in mid-week, several senior stocks advancing. Elsewhere, Canadian Pacific ordinary jumped ½ point.

Demand in the industrial market was selective, although midweek saw a slight broadening of interest. Brewery shares were firm. Courage exceptionally lost 2s. on the Hodgsons' Kingston offer, but gains up to 1s. were plentiful. Tobacco issues, however, were virtually unchanged. Motor shares were steady to firm, but changes nowhere exceeded a few pence. Allied Iron was prominent in a strong heavy industrial group with a rise of 3s. Dorman Long, Hadfields, Sheepbridge and Powell Duffryn all advanced between 9d. to 1s. 6d. Textile issues were rather irregular, although gains generally outweighed losses. Stores issues were firm, while among the dollar issues, Brazilian Traction, International Holdings and Hydro Electric all forged ahead, the first mentioned rising 2½ points.

In the absence of Cape support, *kaffir* issues were marked down slightly, generally ½. A mild revival of buying in midweek from the Cape for *diamond* issues raised De Beers deferred ½ and Consolidated Diamonds 4s. 6d., while Anglo American Investment advanced 4s. Rubber shares were dull, and *tea* issues fluctuated without trend. In the *oil* market, Ultramar jumped 3s. 6d. in anticipation of a new issue, while leading stocks closed slightly higher on the week.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. Shares* 20 Fixed Int.†
April 29.....	5,333	2,847	98.5 136.1
30.....	4,991	2,705	98.5 136.1
May 3.....	6,793	3,194	98.7 136.0
4.....	5,653	2,613	98.9 135.9
5.....	5,516	2,726	99.1 135.9

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1943: highest, 99.1 (May 15), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). † New basis in S.E. List. ‡ Old basis.

New York

FAVOURABLE war reports and encouraging earnings statements induced widespread buying on Wall Street throughout the week. Steel, and other affected issues, rallied on the coalmine labour truce, while Tuesday witnessed one of the most active sessions since 1940, many leading issues achieving new high levels for the past three years.

Total share dealings: April 29, 1,341,000; April 30, 1,359,000; May 1, 844,000; May 3, 2,349,000; May 4, 2,805,000; May 5, 2,470,000.

* Two-hour session only.

COMMODITY AND INDUSTRY NEWS

Spices Allocation.—The Minister of Food has accepted the recommendations of the Combined Food Board on the allocation of cinnamon, mace, nutmeg and pimento available from British Empire sources. Supplies of cinnamon, mace and nutmeg are far below normal requirements of the United Nations and friendly countries, and allocations of all four spices have been deemed necessary to assure equitable distribution in the interest of all countries concerned. The current allocation divides supplies among six areas: Canada, the United States, other Western Hemisphere countries, Russia, the United Kingdom and other Eastern Hemisphere countries. This

COMPANY MEETINGS—continued

continued at a high level and is now playing a great part in furnishing the varied and new products required by the Government for essential war and national purposes.

A point worthy of note in the directors' report is that the proposed addition of £60,000 to the reserve for contingencies will raise that fund to a total of £200,000, while the carry-forward is increased to £169,202.

I again take the opportunity of paying tribute to my co-directors and the staff for the hard work which has been accomplished during the past year under exceedingly trying conditions.

The chairman then formally moved:—"That the directors' report and balance-sheet at December 31, 1942, as submitted, be received and adopted, and that a final dividend of 6 per cent., less income-tax, be declared and paid to the holders of the ordinary shares on the register of the company at April 13, 1943."

The resolution was carried unanimously. The retiring directors were re-elected and the auditors reappointed.

procedure has been adopted by the countries concerned. In addition to the quantities allocated, the Board has set up an unallocated reserve for use in adjusting possible inequities in its allocations. The pre-war consumption of cinnamon and cassia, which are used interchangeably in the United Nations, totalled about 25 million pounds annually and came largely from South China, French Indo-China, Netherlands Indies and Ceylon. Supplies of cinnamon are restricted to those available from Ceylon, and supplies of nutmegs and mace to those available from the British West Indies.

Corn Merchants' Association.—Corn and agricultural merchants are among the distributive trades which are required by the Government to release a further proportion of their staff and to effect further economies in transport. These merchants are engaged in the collection of home-grown grain from farmers in the distribution of animal feeding stuffs, fertilisers and seeds. Corn and agricultural merchants are forming a war-time association to be known as "Camco" (the Corn and Agricultural Merchants' War-Time Company). This company will be administered by a central board working through divisional committees. Meetings of traders are now being held to elect members to the divisional committees. It will be the function of these committees to co-operate in the arrangements for economy of transport and man-power so as to ensure that efficient services are still maintained.

Cotton Utility Allocations.—Greater freedom between the weaver and the converter was introduced in the method of operating the converters' allocations for rayon Utility fabrics some weeks ago; and it was stated at the time that if results were satisfactory, endeavours would be made to apply a somewhat similar procedure to

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

	1943	Apr. 14, 1943	Apr. 21, 1943	Apr. 28, 1943
	Low Jan. 6	High Apr. 7		
347 Industrials.....	81.1	95.5	92.4	93.5
32 Rails.....	72.6	95.2	90.0	93.2
40 Utilities.....	67.9	79.8(a)	77.9	79.8
419 Stocks.....	78.5	92.8	90.0	91.3
Av. yield %.....	5.36	4.63	4.81	4.75

* 50 Common Stocks. (a) April 21.

DAILY AVERAGE OF 50 COMMON STOCKS					
April 22	April 23	April 24	April 26	April 27	April 28
114.0	(a)	114.0	114.0	114.2	114.2
1943: High, 117.2, April 6; Low, 99.5, Jan. 2. (a) Closed.					

Capital Issues

Week ending May 8, 1943

Week ending	Nominal Capital	Conversions	New Money
May 8, 1943	4,016,521	4,259,359	...

Particulars of Government issues appear on page 605.

Year†	1943	1942	1941	1940
Destination (Conversions Excluded)				
U.K.	592,951,455	1,375,685	Nil	Nil
Brit. Emp.	666,938,094	1,375,685	180,308	37,488
Foreign ex. U.K. Countries	...	...	...	...

Year†	1943	1942	1941	1940
Nature of Borrowing (Conv. Excl.)				
Deb.	588,264,256	659,837	5,403,047	...
Pref.	663,960,459	187,493	3,350,941	...
Ord.	...	...	...	...

† Includes Government issues to April 27, 1943, only. Above figures include all new capital in which permission to deal has been granted.

cotton. Discussions have recently been held among merchants to consider modifications on the cotton Utility side, in the light of experience gained from rayon. A simplified method has now been evolved by agreement with the Board of Trade, the Cotton Board and the Cotton Control. The new procedure will be explained at a meeting on May 12th.

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

	April 29, 1943	April 30, 1943	May 3, 1943	May 4, 1943	May 5, 1943
Crops.....	118.0	117.9	118.3	118.3	118.3
Raw materials.....	182.3	182.3	182.3	182.3	182.3
Complete Index.....	146.7	146.8	146.9	146.9	146.9
Crops.....	Mar. 31, 1937*	Aug. 30, 1939	May 5, 1942	April 5, 1943	April 28, 1943
Raw materials.....	147.9	92.2	115.8	118.2	117.6
Complete Index.....	175.1	106.4	141.4	146.8	146.8

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937*	Aug. 30, 1939	April 28, 1942	April 6, 1943	April 27, 1943
Cereals and Meat.....	93.0	66.9	111.2	110.4	110.6
Other Foods.....	70.4	61.1	99.1	107.5	107.5
Textiles.....	74.2	54.3	93.3	92.5	93.5
Minerals.....	113.2	95.4	130.7	135.9	135.9
Miscellaneous.....	87.0	77.6	118.3	126.7	126.7
Complete Index.....	87.2	70.3	110.6	114.3	114.6
1913=100.....	119.9	90.8	152.2	157.3	157.8

* Highest level reached during 1932-37 recovery.

GOVERNMENT RETURNS

For the week ended May 1, 1943, total ordinary revenue was £50,673,000, against ordinary expenditure of £121,206,000. There were no issues to sinking funds. Thus, including sinking fund allocations of £463,077, the deficit accrued since April 1st is £319,348,000 against £278,551,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to May 2, 1942	April 1 to May 1, 1943	Week ended May 2, 1942	Week ended May 1, 1943
ORDINARY REVENUE				
Income Tax.....	62,799	70,819	12,650	12,368
Sur-tax.....	4,660	4,452	630	490
Estate, etc.....	10,800	8,728	1,300	1,315
Duties.....	770	590	30	...
Stamps.....	2,472	1,778	254	370
N.D.C.....	17,560	29,335	3,595	5,460
E.P.T.....	60	60	...	20
Other Inland Rev.....	99,121	115,762	18,459	20,023
Total Inland Rev.....	29,774	35,489	3,937	2,477
Excise.....	39,159	41,991	25,245	26,191
Total Customs & Excise.....	68,933	77,480	29,182	28,668
Motor Duties.....	2,044	1,015	431	...
Canadian Govt. Contribution.....	22,472	...	8,989	...
Post Office (Net Receipts).....	4,000	400	2,400	Dr. 200
Wireless Licences.....	270	300	270	300
Crown Lands.....	160	140	...	...
Receipts from Sundry Loans.....	394	344	133	...
Miscell. Receipts.....	6,948	6,510	3,569	1,882
Total Ord. Rev.....	204,342	201,951	63,433	50,673
SELF-BALANCING P.O. & BROADCASTING	7,700	8,700	2,600	2,900
Total.....	212,042	210,651	66,033	53,573

Expenditure	April 1 to May 2, 1942	April 1 to May 1, 1943	Week ended May 2, 1942	Week ended May 1, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	51,930	53,669	18,869	18,733
Payments to N. Ireland.....	327	335	...	...
Other Cons. Fund Services.....	278	267	10	8
Total.....	52,535	54,271	18,879	18,741
Supply Services.....	429,915	466,565	108,589	102,465
Total Ord. Exp.....	482,450	520,836	127,468	121,206
SELF-BALANCING P.O. & BROADCASTING	7,700	8,700	2,600	2,900
Total.....	490,150	529,536	130,068	124,106

After increasing Exchequer balances by £188,194 to £2,771,865, the other operations for the week (no longer shown separately) raised the gross National Debt by £70,490,430 to £17,182 million.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between Apr. 30th and May 6th. (Figures in brackets are par of exchange.)
United States. \$ (4.86) 4-02½-03½; mail transfers 4-02½-03½.
Canada. \$ (4.86) 4-42-47; mail transfers 4-43-47½.
Switzerland. Francs (25.29) 17-30-40.
Sweden. Krona (18.159) T.T. 16-85-95; bank notes 16-85-95.
Argentina. Peso at Bank of England, 17-40 kr.
Paraguay. Guaraní (12-11) 7-58-62; outward, 16-95-17-13; not quoted from April 27 (11-45).
Dutch West Indies. Florin (12-11) 7-58-62; mail transfers 7-58-64.
Portugal. Escudos (110) 99-90-100-20; mail transfers 99-80-100-30.
Panama. Colon (100) 4-02-04; mail transfers 4-02-04.
Brazil. 85-64½ cr. (buying).
Uruguay. 7-6597 p. (buying).
Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate);

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	200
Overseas Trade Guarantees.....	4
	204
NET RECEIPTS (£ thousands)	
Tithe Act.....	435

FLOATING DEBT (£ millions)

Date	Treasury Bills	Ways and Means Advances	Bank of England Deposits	Total Floating Debt
1942				
May 2	935.0	Not available	...	...
1943				
Jan. 30	1020.0	1770.8	231.7	240.0
Feb. 6	1010.0	Not available	...	...
" 13	990.0	Not available	...	...
" 20	980.0	1829.7	230.1	24.7
Mar. 6	975.0	Not available	...	...
" 13	975.0	Not available	...	...
" 20	975.0	Not available	...	...
Apr. 3	975.0	282.5	6.5	969.0
" 10	975.0	Not available	...	...
" 17	980.0	Not available	...	...
" 24	990.0	1867.2	203.8	1043.5
May 1	1005.0	Not available	...	...

TREASURY BILLS (£ millions)

Date of Tender	Offered	Applied for	Allocated	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
May 1	75.0	148.0	75.0	20.0	37
1943					
Feb. 5	75.0	158.7	75.0	19.1	80
" 12	75.0	141.6	75.0	19.1	85
" 19	75.0	152.7	75.0	19.1	93
" 26	75.0	172.8	75.0	19.1	86
Mar. 5	75.0	161.7	75.0	19.1	68
" 12	75.0	164.5	75.0	20.0	29
" 19	75.0	169.9	75.0	20.0	58
" 26	75.0	157.4	75.0	20.0	12
Apr. 2	75.0	150.6	75.0	20.0	39
" 9	80.0	164.3	80.0	20.0	57
" 16	85.0	159.2	85.0	20.0	77
" 23	90.0	153.1	90.0	20.0	85
" 30	90.0	167.0	90.0	20.0	17

On April 30th 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. £90 millions of Treasury Bills are being offered on May 7th. For the week ending May 8th, the banks will be asked for Treasury deposits to the maximum amount of £65 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 1951-53
Mar. 23.....	5,863	2,063	8,527	11,100
" 30.....	5,630	2,507	9,864	9,468
Apr. 6.....	6,484	2,695	19,059	8,783
" 13.....	6,434	3,170	11,685	19,581
" 20.....	6,933	3,128	9,959	13,775
" 27.....	5,221	1,531	4,000	6,591
May 4.....	...	...	7,619	12,506
Totals to date.....	780,903*	565,347*	1,164,028†	2,601,591‡

* 179 weeks. † 122 weeks. ‡ 23 weeks.
 Interest free loans received by the Treasury up to May 4th amounted to a total value of £55,908,757. Up to Apr. 24th, principal of Savings Certificates to the amount of £103,272,000 has been repaid.

46-55 (Voluntary rate). **Turkey.** Piastres 520. **Italy.** 71-25 lire.
Market Rates.—The following rates remained unchanged between Apr. 30th and May 6th:
Egypt. Piastres (77) 97½-1.
India. Rupee (18d. per rupee) 17½-18½.
Belgian Congo. Francs 176½-1.
China. National \$ 2½-3½.
Iran. Rl. 128-130.
Special Accounts are in force for Chile, 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 Apr. 30th and May 6th:—
 Bank rate, 2% (changed from 3% October 26, 1939).
 Discount rates: Bank Bills 60 days 1½%; 3 months

BANK OF ENGLAND RETURNS

MAY 5, 1943

ISSUE DEPARTMENT

	£		£
Notes Issued :		Govt. Debt	11,015,100
In Circul.	953,937,599	Other Govt. Securities	988,094,964
In Bankg. Department	46,304,119	Other Secs. & Silver Coin	879,564
			10,372
		Amt. of Fid. Issue	1000,000,000
		Gold Coin & Bullion (at 168s. per oz. fine)	241,718
	1000,241,718		1000,241,718

PROVINCIAL BANK CLEARINGS
£ thousands

	Week Ended		Aggregate from Jan. 1 to	
	May 2, 1942	May 1, 1943	May 2, 1942	May 1, 1943
Working days	5	5	102	102
Birmingham	2,452	1,805	45,568	44,060
Bradford	2,601	1,973	40,734	36,486
Bristol	2,816	618	40,579	12,381
Leeds	766	510	14,506	11,783
Leicester	1,677	1,479	21,417	21,153
Liverpool	4,934	3,628	85,685	75,425
Manchester	15,179	10,727	221,085	218,948
Newcastle	1,951	1,120	28,587	26,314
Nottingham	475	307	8,734	8,992
Sheffield	846	454	16,367	18,116
Southampton	134	129	2,182	2,573
12 Towns	34,715	23,278	541,310	492,087
Dublin	6,702	5,494	119,821	126,738

* April 25, 1942, and April 24, 1943.

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Jan. 26, 1942		Dec. 2, 1942		Jan. 25, 1943	
	1942	1943	1942	1943	1942	1943
Assets						
Gold and English ster.	21.95	31.39	31.39	31.39		
Other coin, bullion, etc.	8.32	8.56	9.07	11.36		
Call money, London	30.33	47.63	53.09	45.89		
Secs. and Treas. bills	88.94	158.02	158.96	164.86		
Discounts and advances	28.03	20.09	20.57	21.92		
LIABILITIES						
Notes issued	81.36	123.36	124.11	124.11		
Deposits, etc.	143.50	154.49	159.19	167.15		

U.S. FEDERAL RESERVE
Million \$'s

	April 15, 1942		April 22, 1942		April 29, 1942	
	1942	1943	1942	1943	1942	1943
12 U.S. BANKS						
Gold certis. on hand and due from Treasury	20,488	20,294	20,275	20,259		
Total reserve	20,823	20,696	20,670	20,662		
Total cash reserves	319	359	354	358		
Total U.S. Govt. sec.	2,350	6,705	6,329	6,347		
Total bills and sec.	2,367	6,730	6,355	6,385		
Total resources	24,325	29,497	28,852	28,786		
LIABILITIES						
F.R. notes in circ.	8,782	12,905	12,970	13,068		
Excess int. bank res.	2,820	2,160	2,340	2,280		
Mr. bank res. dep.	12,662	13,144	12,318	12,149		
Govt. deposits	128	128	471	443		
Total deposits	14,211	14,648	14,162	14,002		
Total liabilities	24,325	29,497	28,852	28,786		
Reserve ratio	90.6%	75.1%	76.2%	76.3%		
BANK AND TREASURY RESOURCES						
Monetary gold stock	22,689	22,501	22,482	22,472		
Treasury & bank currency	3,296	4,002	4,008	4,009		
Money in circulation	11,723	16,424	16,500	16,593		
Treasury cash and dep.	2,314	2,363	2,707	2,677		

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

	Feb. 16, 1942		Jan. 25, 1943		Feb. 8, 1943	
	1942	1943	1942	1943	1942	1943
Assets						
Gold and stg. exch.	19.41	31.55	32.09	32.47		
Advances to State	32.07	31.24	30.78	30.66		
Investments	4.15	4.46	4.46	4.46		
LIABILITIES						
Bank notes	23.29	29.99	29.88	29.96		
Demand liab. : State	21.20	23.58	23.94	24.21		
Banks and others	21.20	23.58	23.94	24.21		
Reserve to sight liab.	35.5%	47.8%	48.5%	48.9%		

CENTRAL BANK OF ARGENTINA
Million paper pesos

	Mar. 15, 1942		Feb. 28, 1943		Mar. 15, 1943	
	1942	1943	1942	1943	1942	1943
ASSETS						
Gold at home	1,075	1,076	1,076	1,076		
Other gold and for. exch.	506	1,160	1,162	1,226		
Non-int. Govt. bonds	119	113	113	113		
Treasury bonds	394	392	392	392		
LIABILITIES						
Notes in circulation	1,421	1,595	1,609	1,608		
Deposits : Government	582	216	237	263		
Banks	542	55.5	799	805		
Certs. of participation	18	27	27	27		
Reserve ratio	75.4%	80.8%	80.9%	81.5%		

CENTRAL BANK OF TURKEY
Million Turkish pounds

	Dec. 13, 1941		Nov. 5, 1942		Dec. 12, 1942	
	1941	1942	1942	1942	1942	1942
ASSETS						
Gold	115.4	145.6	145.6	143.1		
Clearing and other exch.	57.1	47.8	49.5	51.3		
Treasury bonds	137.0	134.4	134.4	134.4		
Commercial bills	297.4	431.7	451.7	458.6		
Securities	54.2	55.5	55.7	55.8		
Advances	175.3	260.9	263.6	259.3		
LIABILITIES						
Notes in circulation	515.5	720.0	742.8	742.8		
Deposits	165.7	184.7	181.4	186.0		
Clearing and other exch.	23.7	25.5	24.1	24.3		

SOUTH AFRICAN RESERVE BANK
Million £'s

	Mar. 20, 1942		Mar. 5, 1942		Mar. 12, 1943	
	1942	1943	1942	1943	1942	1943
ASSETS						
Gold coin and bullion	47.76	61.91	62.82	64.21		
Bills discounted	0.32	0.32	0.32	0.32		
Invest. and other assets	58.68	82.54	78.43	80.35		
LIABILITIES						
Notes in circulation	27.35	39.42	38.43	38.13		
Deposits : Government	16.84	11.62	11.13	11.72		
Bankers	52.00	88.46	90.73	92.57		
Others	5.44	5.64	4.74	5.67		
Reserve ratio	47.2%	42.8%	43.5%	43.7%		

UNITED STATES : MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1942						1943			
		1929	1932	1939	1940	1941	1942	Jan.	Feb.	Mar.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
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	108	122	155	...	171	172	171	185	191	194	197	200	202	202
2. " unadj. F.R.B.	"	110	58	108	123	156	181	166	167	168	192	194	194	194	194	...	202
3. Manufactures, dur. adj. F.R.B.	"	132	41	109	138	193	250	221	225	230	264	273	279	283	290	...	250
4. " non-dur., adj. F.R.B.	"	93	70	108	113	135	141	143	142	139	142	144	147	148	150	...	140
5. Minerals, adj. F.R.B.	"	107	67	106	117	125	129	134	133	126	131	129	130	127	126	...	135
Building contracts awarded :—																	
6. Total, adj. F.R.B.	1923-25=100	117	28	72	81	122	166	118	128	125	179	185	198	175	137	105	...
7. Residential, adj. F.R.B.	"	87	13	60	72	89	81	82	100	95	70	83	90	91	80	61	...
8. Other, adj. F.R.B.	"	142	40	81	89	149	236	147	151	139	268	269	286	243	183	140	...
9. Freight-car loadings, adj. F.R.B.	1935-39=100	152	78	101	109	130	138	140	139	136	136	133	134	134	135	139	13
10. Dept. store sales, adj. F.R.B.	1923-25=100	111	69	90	94	110	124	138	126	124	123	128	138	125	143	...	13
Employment :—																	
11. Non-agricultural, adj. F.R.B.	'000	...	...	29,757	30,992	34,409	36,986	35,819	35,953	36,002	37,645	37,962	35,325	38,842	38,833	38,839	...
12. " unadj. B.L.S.	"	...	...	36,976	34,876	35,062	35,411	38,348	38,478	38,533	38,952	37,906	37,995	...	...	...	...
13. " adj. F.R.B.	1939=100	106.0	77.6	100.0	104.2	115.6	124.3	120.4	120.8	121.0	126.5	127.6	128.8	130.5	130.9	130.5	...
14. Factory, adj. F.R.B.	"	106.1	66.4	100.0	107.5	132.1	152.3	139.8	143.7	144.3	159.6	160.7	161.9	164.9	164.9	166.6	...
15. " unadj. F.R.B.	"	119.8	50.7	100.0	114.5	167.5	242.2	200.7	208.2	215.1	261.8	270.9	280.4	287.7	297.2	297.2	...
16. " payrolls, unadj. F.R.B.	"	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
17. Average hours, B.L.S.	Number	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
18. " hourly earnings, B.L.S.	Cents	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
19. Cost of living, F.R.B.	1935-39=100	122.5	97.6	99.4	100.2	105.2	116.5	112.0	112.9	114.3	117.8	119.0	119.8	120.4	120.9	120.9	...
Wholesale prices :—																	
20. Farm products, B.L.S.	1926=100	104.9	48.2	65.3	67.7	82.4	105.9	100.8	101.3	102.8	107.8	109.0	110.5	113.8	117.0	119.0	...
21. Foods, B.L.S.	"	99.9	61.0	70.4	71.3	82.7	99.6	93.7	94.6	96.1	102.4	103.5	104.3	105.2	105.8	...	...
22. Other commodities, B.L.S.	"	91.6	70.2	81.3	83.0	89.0	95.5	94.6	94.9	95.2	95.5	95.5	95.8	95.9	96.0	96.2	...
23. Wh'sale com'dity prices, unadj., F.R.B.	"	95.3	64.8	77.1	78.6	87.3	98.8	96.0	96.7	97.6	99.6	100.0	100.3	101.0	101.9	102.6	103.4
Bank Debts :—																	
24. Total, all reporting centres	Million \$	81,878	...	35,328	37,155	44,783	50,589	48,605	41,545	49,161	52,712	55,056	50,673	64,991	54,779	...	...
25. New York City	"	50,257	...	14,265	14,299	14,810	17,580	17,247	14,242	17,056	18,593	18,323	17,016	23,921	19,877	...	...
26. Gold stock	"	3,996	...	17,644	21,995	22,737	22,726	22,747	22,705	22,687	22,754	22,740	22,743	22,726	22,683	...	...
27. Money in circulation	"	4,476	...	3,328	7,171	7,901	9,816	11,175	11,485	11,566	13,703	14,210	14,805	15,410	15,590	...	...
28. Member Bank Res. Balances	"	2,358	...	2,114	10,466	13,331	...	12,927	12,619	12,575	11,592	12,736	13,208	13,117	13,630	...	...
29. " Excess Reserves	"	43	...	4,469	6,376	...	...	3,347	2,696	3,073	1,690	2,644	2,909	1,988	2,387	...	...
30. Capital issues, C.F. Chronicle	"	595	...	99	186	163	238	89	168	123	110	45	28	29	37	7	...
31. 354 Indus. securities, Stand. Statistics	1929=100	100	24.4	55.5	51	47	...	43	41	39	42	45	46	46	...	...	...
32. Yield on Gov't. bonds.	%	3.60	3.66	2.36	2.21	1.95	2.02	2.01	2.09	2.00	2.03	2.05	2.06	2.09	2.06	...	...
33. Income payments, adj.	1935-39=100	122.9	7.0	105.5	113.8	137.3	169.4	153.8	155.6	157.4	176.0	180.8	186.0	190.4	196.9	200.8	...
34. Treasury receipts	Million \$	4,032	2,076	5,595	7,606	...	...	614	837	3,548	2,528	5,488	830	2,702	824	1,190	...
35. " expend., national defence.	"	...	...	...	...	...	...	2,104	2,208	2,809	5,384	5,481	6,042	5,825	5,947	6,179	...
36. " " total.	"	...	...	...	...	...	...	2,628	2,629	3,421	5,931	5,937	6,363	6,500	6,372	6,110	...

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government) *Branches and Agencies throughout Australia.*

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 3,900 Agencies at Post Offices in Australia.

As at 30th June, 1942.—General Bank Balances	£181,729,889
Savings Bank Balances	164,619,869
Note Issue Department	111,950,542
Rural Credits Department	2,421,174
Other items	20,380,871
	£481,101,745

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.
 Also at AUSTRALIA HOUSE, STRAND, W.C.



Head Office:
EDINBURGH

Branches throughout
SCOTLAND

LONDON OFFICES: 37 Nicholas Lane, E.C.4; and
18-20 Regent Street, Piccadilly Circus, S.W.1

Every description of Banking Service undertaken, including Foreign Exchange, Trustee and Executive business.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

AUTHORISED CAPITAL - £50,000,000
ISSUED AND FULLY PAID-UP - £20,000,000
RESERVE FUNDS (STERLING) - £6,500,000
HONGKONG CURRENCY - £625,000
RESERVABILITY OF SHAREHOLDERS - £20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MOSS.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED

9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

MANUFACTURING CHEMISTS wish to engage after the war a man (under 30) now serving in H.M. Forces, to carry out extensive market research in West Africa, with possibility of subsequent appointment as representative on the Coast. Good education, drive, initiative, dependability, good knowledge of French and willingness to learn native dialects essential. Write in first instance to Box No. 860, C. Mitchell & Co., Ltd., 1, Snow Hill, London, E.C.1.

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony British S.A.
Amritsar	Colombo	Mandalay	Mombasa	
Bombay	Delhi	Nuwara	Nairobi	
Calcutta	Kandy	Eliya	Nakuru	
Cawnpore	Karachi	Kangoon	Entebbe	Uganda
Chittagong	Lahore	Tuticorin	Jinja	
		Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga	Tanganyika Territory	

SUBSCRIBED CAPITAL - £4,000,000

PAID-UP CAPITAL - £2,000,000

RESERVE FUND - £2,200,000

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

THE CANADIAN BANK OF COMMERCE

Incorporated in Canada 1867 with Limited Liability

Head Office: TORONTO

S. H. LOGAN, President. **S. M. WEDD, General Manager.**
 Branches in CANADA, the UNITED STATES, NEWFOUNDLAND, and with other parts of the world.
 CUBA and the WEST INDIES.

London Office: 2 LOMBARD STREET, E.C.3

R. B. BUCKERFIELD, Manager. **DOUGLAS SAPTE, Asst. Manager.**

INVESTORS

should

TRANSACTION THEIR BUSINESS

through a Member of

THE STOCK EXCHANGE

A list of Members who act as Brokers and the Official Scale of Commissions may be obtained on application to the Secretary, Stock Exchange, London, E.C.2.

All Contracts must be completed in accordance with the Rules and Regulations of The Stock Exchange.

Persons who advertise as Brokers or Share Dealers are not Members of The Stock Exchange or under the control of the Committee.

"The Work of The Stock Exchange" may be obtained on application to the Secretary: price one shilling post free.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000
 (1942 Accounts.)

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months - 3 0 0

6 Months - 1 10 0

(Cheques to be made payable to The Economist Newspaper Ltd.)

Publishing Office:

Brettenham House, Lancaster Place, London, W.C.2

Telephone No.: Temple Bar 3316

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5203

REGISTERED AS
A NEWSPAPER

MAY 15, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Out of Africa - - - - 609

Ritorneremo? - - - - 610

Against Monopoly - - - - 612

NOTES OF THE WEEK - - - - 614

A Famous Victory; Unconditional Surrender; After the War; The Currency Plans; Taxation of Industry; Bricklaying; The State Within the State; Trials of a Neutral; United Nations' Unity; "Cash, Kind and Care"; Wanted—a *Coup d'Etat*; Setback in Burma; Food from North Africa; Industry in West Africa; New Pensions Bill; The Peers at Home; The Lord Chancellor; Shorter Notes.

AMERICAN SURVEY - - - - 619

Hours in Akron; Behind the Truce; The Cost of Living; Trade and Peace; War Production.

THE WORLD OVERSEAS - - - - 621

Laval and After; Axis Economics; Portugal Looks Ahead; Russia at War.

FINANCE AND BANKING - - - - 626

Discount Market Consolidation; Clearing Banks in April; Banking in India; The Dollar in Switzerland; Scottish Bank Notes.

Hours in Akron - - - - 619

Laval and After - - - - 621

Industrial Assurance - - - - 625

INVESTMENT - - - - 628

Licensing the Accountant; British Oxygen Capital; Sydney Conversion; ICI Group Earnings; Increased Liquid Assets; Stewarts and Lloyds Progress; Marks and Spencer Lower Profits; J. & P. Coats Accounts; Rand Mines Earnings; Kaffir Results; Clan Line Profits.

INDUSTRY AND TRADE - - - - 632

Coal Utilisation; The Progress of Concentration; Training for Engineers; Unemployment; Bus Workers' Award; Man-power in Coal; Retail Trade.

COMPANY MEETINGS - - - - 634

RECORDS AND STATISTICS - - - - 640

Out of Africa

AFRICA is free. German Europe is in sudden danger. The next assault on Hitler's outworks was already looming before Tunisia fell; the furious bombing of Italian ports on the mainland, in Sicily and in Pantellaria was a warning. It may well have been the shadow of a new threat that hastened the decision of the German High Command to write off a hopeless struggle. Faced by overwhelming forces, outmanoeuvred in hard and bitter defensive fighting, outmanoeuvred in what Mr Churchill has called a "model of the military art," and unable to bring in supplies by sea or air, the last Axis army in Africa collapsed almost overnight. The delaying action that had lasted for six precious months, and gained some time for Germany to mobilise the remnants of its reserves for this year's decisive battles, ended in total loss; all that is left of a proud and experienced force is 150,000 helpless captives. British casualties, nearly 11,000 since mid-April, were small by contrast, and fewer than many had feared. Three years after the Italians strutted into Egypt for a formal kill, less than one year after the Germans were in sight of the Nile, the Allied victory was complete.

This is the real turning of the tide, the transformation signalled by the triumph of Alamein and the Allied landings six months ago and made possible by the prodigious resistance of the Russians. In Washington the Prime Minister and the President are scanning a vast

panorama of opportunity. This spring it is in Italy and the Balkans that fevered preparations against invasion are being made. What England faced in 1940 Axis-controlled Europe faces in 1943. The Mediterranean danger to Italy and the Balkans, to the islands and the mainland that front Hitler's southern borders, is only the beginning of the story. In France, the Lowlands and Scandinavia, there is the same stirring. Allied armies now stand poised for the spring on every side, in this island, in Russia, on the Mediterranean shores, in the Levant and Asia Minor. Mr Churchill's "ring of steel," which was an article of faith three years ago, has become a fact. The superior economic strength of the free peoples, which was only a straw to clutch in 1940, is now reality, translated into men and guns. The problem of deployment, of bringing the strength of industrial democracy to bear against the totalitarian aggressor in battle, is near solution. The issue may be long drawn-out. In the Far East there is a great war to be fought. But it is, perhaps, worth remembering that a bare two months before the German collapse in November, 1918, the War Cabinet was debating between 1919 and 1920 as the most propitious date for the final offensive.

The knife-edge escapes have been many. There have been perilous times in the desert. The achievement is vast: the tenacity that held Britain and the Middle East against

the enemy horde; the resilience that forged an instrument of victory out of the sand and grit of Libya; the pride and courage and organisation that defied logistics to hold apart disastrous tides of battle in the West and East; the master-plan that fused the armies of three nations in the final advance on von Arnim; the leadership, engineering and ingenuity that gave air, artillery and mechanical warfare its greatest triumph in Tunisia. Alamain to Cape Bon is an historic progress. El Agheila to Alamain was its foundation; American troops, French troops and British troops, of the First Army as well as the Eighth, vied in the finale. For all the power of the machine it was a soldier's victory.

"The pattern for the ultimate defeat of the Axis," as the President called it, has been established: the unity of free nations in battle; the unity in combat of all arms, hour by hour; the murderous, decisive use of air bombardment, on a scale and with an efficacy unknown to Goering. The Allies have at last the chance to match their power with their deeds, to overcome space and distance and to marry the efforts of Britain and the United States with the brave and bloody labours of Russia. Upon the taking of this chance depends the duration of the tragic conflict that has already slain, maimed, starved, impoverished or desolated so many millions. Physically and psychologically, the enemy is stretched almost to the limit. Italy is naked to a hostile world. The effect of massive bombing on German output, morale and transport is now heavy. New bases have been won for bombers to assail Axis warmaking night and day from every point of the compass. The might of sea-power has once more been vindicated. The Mediterranean is all but open; and every Axis coast is in peril.

Germany is not down and out. Great contingents are mustering on the Russian front, and troops and supplies are moving into the Balkans. Many divisions are assembled in France, and the submarine offensive is still in spate. The *Luftwaffe* is still in being. The Nazis can no longer strike to kill; but they can strike to wound and delay. They may plunge yet again into hard-hit Russia. They may thrust desperately and dangerously against the very source of their ruin—the island fortress of Britain. Assuredly, they will play, in their worst hour, upon the frustrations and divisions that still mar the unity and strength of the Allies: the short-sighted opportunisms that bring forth a Darlan in freed French Africa, that thrust Russians and Poles into polemical conflict and blur the prospect of a free, peaceful, prosperous and friendly world—the old antagonisms of class, custom, creed and

nationalism. The dictators can rely no longer on their own strength. They look instead to the weaknesses of their foes.

This is the challenge. The victory in Africa will be known by its fruits, by the speed with which the harvest is reaped and by the combined action of the reapers, in the Mediterranean, in Russia and elsewhere—by common action in wide-flung battles and by honest, able and agreed peacemaking. Tunisia is a symbol of hope, as well as of strength and unity. *The Times* Correspondent in Tunis has written: "In this triumphant hour, it is worth remembering that the real honour belongs . . . to the dogged infantry who went in on Good Friday and sweated and climbed and fought, the men of Longstop Hill and the Bou, of Banana Ridge and Peters Corner, the gallant and uncommemorated men who hammered the stubborn German defence into brittleness, so that it broke under the final blow." Behind the clangour of the victory bells there is the mournful rolling of the muffled drum; it will swell as the advance goes on. The debt of Dunkirk, as the King has said, has been paid; but there are other and deeper debts. The young men who died or were crippled on those harsh Tunisian hillsides ask for no fine words or memorials, no vicarious play with their sufferings and sacrifice, no wordy pledges. With their comrades of Norway, Belgium, France, Greece, Crete, Malaya and Burma, with the few of the Battle of Britain, with the many of Russia's resistance, with the sufferers of subjugated Europe and the stricken Far East, with all those lost by sea, on land and in the air, they want what they went out to fight for—a sure end to the war. They have expiated the sloth and blindness of other men. They have given their lives and their vigour that others, more fortunate, may finish the job.

The men who die or are crippled in freedom's armies follow neither Fuehrers nor demagogues. They serve neither the "hard-faced business men" nor the bigoted doctrinaires. They are ordinary men with ordinary homes and families and ordinary aspirations—with sober hopes of peace and security and opportunity. They hate war; they fight to get it over, and to keep it so. *Il faut en finir* became a counsel of despair in bedevilled France. But it remains the creed of the many millions who press forward, now with high hope and renewed confidence, to the unconditional surrender of the aggressors. Something new must surely come this time out of Africa, something new and strong and resolute and full of hope, that will enable the world at last to ensue the peace it seeks.

Ritorneremo?

ON May 5th, when opening the seventh annual celebrations of the founding of the Italian Empire, the Duce struck a note of intransigent optimism. "We must and will return to Africa," he said; and again:

The great enterprise is not ended; it has only been interrupted. I know that millions and millions of Italians are suffering from an indefinable ill called "African nostalgia." There is only one way to cure it: to return to Africa. And we will return.

In raising the question of the future of his erstwhile empire at the close of a year which has seen the loss of the last of the African possessions, it is unlikely that Mussolini was speaking wholly for home consumption. His speech and those of a number of lesser fascist officials are to be regarded as putting forward a claim to continued ownership despite the vicissitudes of war and a warning that ultimate recovery would be in the forefront of Italy's post-war aims. Thus, the Senate rapporteur on the Estimates for Italian Africa observed that Italy would certainly return to those lands which were hers by historical right, by right of conquest and of the sacrifices of blood and wealth sustained to bring them civilisation. Primarily intended to put heart into the Italian people, these pronouncements appear also to have been destined

for the ears of Allied statesmen. For, with the exception of Abyssinia, the future of the Italian imperial possessions is still undecided, and the Duce no doubt hopes to extract a statement of policy from the spokesmen of the United Nations.

The problem posed by the conquest of the Italian empire is, indeed, an important one since it raises, as the defeat of Germany will not, major questions of colonial settlement. It is axiomatic that Allied victory will restore the national independence of sovereign states overrun by Axis aggression. Many difficult frontier and minority problems will remain to be worked out, but the principle is clear, and its first application has already been the return of Haile Selassie to the throne of his ancestors. On December 17, 1942, Mr. Eden stated that the British Government is anxious to secure the future independence of Albania. Its liberation will form part of the general European settlement rather than of the liquidation of the Duce's colonial possessions. In disposing of these, there is no rule of thumb which can be applied ready made. There is a strong case for ceding to Greece the Dodecanese, with their overwhelmingly Greek population, with perhaps the proviso that in the interests of world peace the United Nations should keep and maintain naval

and air bases. Early in 1942, Mr Eden gave a guarantee to the Sayd Idris el Senussi, head of the Senussi Fraternity, the Arab sect which forms more than ninety per cent of the population of Cyrenaica, that his community should never again come under Italian rule. For the rest, the ground is uncharted. Broadly speaking, there are four possible solutions: that the former Italian colonies should be given self-government; that they should be ruled by an international civil service under the auspices of some future international body; that they should be ruled by members of the United Nations as mandated territories; and that they should revert to Italy. There are already signs of the onset of an Italian campaign to win back by diplomacy the empire from which Mussolini has been beaten by force of arms.

The campaign has been launched in Italy by the Fascist Party leaders to the accompaniment of threats and demands. It will seek to influence Allied and neutral opinion by subtler and more persuasive arguments which it is well to recognise and assess from the outset. There is first of all the familiar "have-not" case: that Italy, if deprived of colonial possessions in which to "expand," will be driven into perpetual opposition to the peace settlement. To this it must be objected that, shorn of Abyssinia and Cyrenaica, Italy will in any case dislike the peace treaty and that Italian good-will cannot be bought by the return of Tripolitania, Eritrea and Somaliland.

All three colonies are poor, infertile and almost devoid of mineral resources. An important part of the Italian case for retention is likely to be based on economic and pseudo-humanitarian grounds. Attention will be drawn to the Italian record, and it will be claimed that, apart from the regrettable but inevitable periods of pacification associated with the name of Marshal Graziani, the neo-Roman rule was enlightened and enterprising. It is true that in the coastal districts of Libya the Arabs have been given a modified Italian citizenship; that good roads have been built; that town planning is impressive; that modern medical services have been introduced; and that agriculture and the local industries have been fostered. There are many advocates of Italian rule in Libya who have been struck by the air of efficient management and modern construction. It is no doubt less true, as an Italian radio commentator claimed on April 5th last, that "the natives lament our departure without troubling to hide their grief from the invader." But there will certainly be a drive to present Italian colonial rule as desirable in the interests of the governed. Finally, there is the claim on demographic grounds that Italy, unlike Germany, genuinely has something of a population problem, which can only be eased by emigration to suitable colonial territory; and that Marshal Balbo's feat in planting Libya in 1938 with some 20,000 Italians of peasant stock in specially constructed modern townships implies a moral right to reap the fruits of the investment.

It may be admitted at once that, especially since Mussolini began to take his empire seriously after the conquest of Abyssinia, there has been considerable achievement. Roads have been built, the desert has been reclaimed and production raised. But there has been no recognition of any principle except Italian self-interest, which cannot in these days justify the maintenance of an imperial system. After the empire was inaugurated in June, 1936, Italy devoted considerable resources to imperial development, and put into its possessions very much more than they yielded. There was a staggering increase in colonial expenditure. The official figures show a rise of total ordinary and extraordinary expenditure from L.456,213,000 in 1933-34 to L.5,774,802,000 in 1937-38. In terms of commerce, the expansion is even more striking. Exports from Italy to the empire rose from an average of L.348,500,000 for the quinquennium 1931-35 to L.2,448,900,000 in 1938. Imports from the empire over the same period rose from L.85,600,000 to only L.209,100,000. The essence of the scheme was, of course, the long-term development of a militarist autarky. Private enterprise continued to find the field unattractive. A census of joint stock companies in Italian East Africa—which included Ethiopia—and in Libya estimated that there were, in 1938, 246 concerns with a total nominal capital of only L.328,496,000. Total investments, including those by the state, were put at some L.900,000,000. It is possible that Italy's peasant settlers in Libya would have made their farms a paying proposition within the twenty-five years agreed for the termination of their *métayage*, but the result of Balbo's experiment was still very much in the balance at the date of Italy's entry into the war.

The material improvements in Libya and Eritrea, by which some observers have been dazzled, are impressive enough in themselves; but physical development alone constitutes no claim to continued ownership. Italy in the past has been concerned with the efficient long-term exploitation of some exceptionally unrewarding strips of African desert. The fact that the economic reward, even in the very long run, promised to be so slight turned the Italian empire into a menace to world peace. Unable to convert it into an economic asset, Mussolini determined to exploit its strategic possibilities. Intensively developed on totalitarian lines, Libya, Eritrea, and later Abyssinia provided a convenient jumping-off ground for the conquest of richer provinces, Egypt and the Sudan. Their conquest would have made the imperial façade a going concern. If the African possessions were returned to a liberal and democratic Italian Government, completely purged of Fascist and aggressive elements, there would be three possible lines of policy which it could adopt. It could cut development to a minimum and allow the territories in question to stagnate; it could develop them at considerable expense, with slight and distant hope of material reward, in the interests of the local



EQUITY & LAW
LIFE ASSURANCE SOCIETY

Established 1844

PROTECTION IN WARTIME

● Civilian War Risk Cover without additional charge is normally granted under new Whole-Life and Endowment Assurances — whether With-Profit or Without-Profit.

● A Guaranteed Bonus each year until 1946 inclusive is provided under all new With-Profit Policies — thereafter Bonuses are dependent upon Profits.

Head Office: 163/4, STRAND, LONDON, W.C.2
(temporarily transferred from 20, Lincoln's Inn Fields)
Telephone: *TB*Mple Bar 0381

inhabitants; or it could develop their military and strategic potentialities with a view to expansion. The return of the former possessions, as such, could not possibly convert Italy into a satisfied power; and in the long run there is almost a certainty that an enterprising Government would return to the third line of policy. There is, then, an overwhelming case against returning any of the African possessions to Italian government.

So far, alternative methods of disposing of the imperial white elephant have been little discussed in public. Indeed, the liquidation of the Italian possessions can hardly be considered apart from the question of the development of backward territories as a whole. For the greatest problem they present is economic and not political. Obviously, there is no question of adding them to the colonial possessions of any of the United Nations. This war is not being fought for territorial aggrandisement, as Mr Eden has often pointed out. But the fact that so much unrewarding capital investment is required before the former Italian colonies can be turned into an attractive habitat for any members of the human race does suggest that the self-government solution is inappropriate. Not all the native peoples concerned are ripe for

the exercise of even political independence. They are far too impoverished to pursue a constructive economic policy. The mandate solution is also fraught with complications. It is very possible that there would be no great enthusiasm among the powers directly concerned, Great Britain and France, or even the United States, over the prospect of extending or taking on commitments in Africa. Progressive administration of any of the three colonies is onerous and costly. If this is regarded, as it should be regarded, in the light of a charge on world resources, there is a strong case for claiming that administration should be international. In an international colonial service, there is no reason why suitable Italians—and perhaps Egyptians and Abyssinians—should not exercise their imperial talents alongside the young men of the United Nations. The cost of development, in so far as it is not self-balancing, must be met from the resources of those powers which control the richer colonial territories of the world—as a contribution to world peace and prosperity. If the contribution is not made in this form, it will be made in the form of payment for future wars. For possession of an imperial liability by a poor nation places a great strain on its will to avoid aggression.

A Policy Against Monopoly

IT is becoming difficult to keep up with the series of admirable speeches in which Mr Herbert Morrison, alone of his War Cabinet colleagues, is working out the practical policies of the post-war years. Of the three speeches delivered on successive days at the end of last week and at the week-end, the first and third receive some comment elsewhere in this issue of *The Economist*. The second of the series, delivered to a Labour Party meeting at Birmingham on Saturday, was in many ways the most important of the three. It had two main themes, neither of them new in Mr Morrison's mouth, but both of them gaining rather than losing from repetition. The first theme was the necessity for the Labour Party to grow up to its responsibilities and to regard itself as something more positive than the permanent Opposition. On this, Mr Morrison had much that was wise to say. But it was necessarily addressed in the main to his immediate audience, and it is his second theme that deserves the widest national echo. This was "the real post-war issue . . . the great issue of the relations between the state and industry." The substance of Mr Morrison's remarks is worth quoting at length:

It is the fundamental question of home policy in our age, it is the question which, by our failure to solve it, dragged Britain down before the war into slow decline and nearly into utter defeat. We have to keep rubbing in the fact that between the wars Britain was drifting towards a form of organisation that was thoroughly bad. More and more of its major industries were running their own affairs in their own way on a basis of effectual monopoly without real positive control by the State, and without any true regard for the wider interests of the nation. It must be the duty of the Labour Party to drive these facts home to the whole population so that every time anyone mentions the word "Federation" or "Association," the public gets on its guard and begins to ask itself, "Should those words be translated Monopoly, Price Ring, Restriction Group?"

For some time to come after the war—and I don't mean only the so-called transition period when we are still in a state of economic emergency, but a period longer than that—the real practical issue in Britain will not be the maintenance of private enterprise. Over a very considerable part of the economic field there won't be genuine private enterprise in the old sense—or any prospect of it. The real issue will be whether centrally organised industries shall be allowed to run their own affairs in their own separate way on a basis of restriction, monopoly and safety first, or whether the State will find means, by public ownership or some form of public control, to ensure that they are operated in the interests of expanding national wealth and a policy of full employment.

You will remember that the Beveridge Report is based on three assumptions. Children's allowances which we shall I believe get, a comprehensive health scheme which I also believe we shall get, and a policy of full employment which we may get. But if we don't get it, Beveridge and a whole lot of other things will in the end go down the drain. The only way we shall get it is by turning our backs on the philosophy of restriction, of high prices, of so-called self-government in industry which really means the freedom of industrial monopolies from public control. That's a big job. There will be some very powerful interests and some very plausible arguments in the way. Here, then, is the real job of work for us who believe in social security. Here is the big crusade of public education on which we of the labour movement ought now to be setting out. I solemnly warn the movement that it will neglect, subordinate or turn its back on this issue at its peril. If we don't face it squarely, and get the country on to the right line, so as to ensure that the public interest be first in fact, as well as in words, we are heading towards the end of working-class progress, and towards our country's decline into a miserable, complacent "Little Englandism."

It is possible to quarrel with some of the undertones of this speech. Not everyone, for example, will accept the implication that this issue is an exclusive concern of the Labour Party—as Mr Morrison said, with perhaps explicable understatement, in another connection in the same speech, "it would be churlish to deny the Liberals some share of the credit." Nor would it be right to encourage the growth of any belief that the choice for general industrial policy lies only between "public ownership" and "public control"—though to apply this choice to "centrally organised industries," as Mr Morrison did, is fair enough. But these are small points compared with the main substance of Mr Morrison's argument, and on that main substance the only appropriate comment is one of deep satisfaction that at last, at long last, a leading member of the Government is consistently taking up, as a major issue of public policy, the cancerous growth of monopoly and restrictionism.

It is not enough, however, as Mr Morrison himself would be the first to insist, merely to inveigh against the course of the disease. What is wanted now is a practical policy of treatment. The ardent defenders of monopoly are still comparatively few; but they are supported by a much larger body of acquiescent opinion which, while not very happy about the economic history of the past dozen years, is yet disposed to think that there is little to be done about it, to say that "you can't put the clock back," or that "you can't unscramble eggs." This is the opinion that must be convinced and converted and brought to believe that it is fully possible to move—not back, but

forward—to a position in which genuine private enterprise in some industries acts as partner to enterprising public management in others.

The first step is to learn the facts. There has been no authoritative enquiry into the structure of British industry since the Balfour Committee in the middle twenties. Since then a whole new undergrowth of associations and combinations has grown up. From time to time the strands are parted, and a glimpse is given of what goes on in the depths of the jungle. The private investigator sometimes ventures in, but his resources are small, and he has to beware the dragon of libel. In general, the public has no idea of what is going on, and, though one may fear and suspect, it is difficult either to prove or to disprove the suspicions without the facts. The first necessary step, then, is a commission of enquiry—a Royal Commission, with its power to call witnesses *sub pœna*. As a result of wartime experience, there are plenty of public servants in the Ministry of Supply, the Board of Trade, the Ministry of Food and elsewhere who could quickly lead such a Commission to the truth. It would, however, be fatal to await the final report of such a Commission before proceeding to policy. The main outlines of the problem are known, and the detailed facts are needed to drive home the necessary reforms, not to determine their shape.

What lines should reform take? The discussion inevitably starts from American experience in the deliberate control of monopoly over the past fifty years. There is a mountain of misconception in this country about the anti-trust laws. For one example, many people have read in their student days accounts of the trust-busting adventures of Theodore Roosevelt, and imagine that American anti-trust practice is still in that stage. But trust-busting—the forcible dissolution of monopolistic corporations—has long ago been abandoned. For many years the enemy of the Anti-Trust Division of the Department of Justice has not been the fact of monopoly, but the act of restriction; and it is now recognised in America that greater danger comes from the restrictive acts of trade associations than from the outright monopoly of trusts. Secondly, there is a general belief in this country that the American anti-trust laws have not succeeded in their purpose. Nothing could be more untrue. It may be that one or two manifestations of monopoly or restrictionism escape from the net, and the very vigilance of the American public in hunting them down gives the impression that such practices are the general rule rather than the rare exception. It is true that the Government finds anti-trust litigation slow and complicated, and not always successful. But even if it were the case (as it is not) that the Government lost every suit that it brought, the anti-trust laws would still be an outstanding success for their deterrent effect. Anyone who is sceptical of this effect can be recommended to study closely the practice of business in the United States and the United Kingdom. Two examples will suffice to prove the point. The American trade association of a certain industry, which in this country is riddled with monopoly, has the standing rule that if at any of its meetings any member so much as mentions the price of the industry's products, the chairman must immediately suspend the meeting. A New York newspaper recently raised its advertisement rates. The department stores of the city, acting in concert, withheld their advertisements. Within a few weeks they had been indicted by the Federal Government, convicted and heavily fined. These examples do not sound like ineffective enforcement.

Nevertheless, no one would recommend that American practice should be copied in this country. The American procedure is too legal; in this country the existence of a more smoothly operating administrative machine makes possible less drastic solutions. Moreover, the American doctrine is too sweeping for this time and place. All but a handful of the stoutest die-hards would admit that there may, on occasion, be a case for restraint, control and organisation. The problem is to find a means of distinguishing when these things are in the general interest rather than of banning them completely.

It should not be difficult to discover effective means. One method would be to pass a declaratory Act formally

reviving the old common law doctrine against combinations in restraint of trade. The Act should specify and define the four main varieties of harmful combination. These are the fixing of minimum prices; the fixing of maximum quotas of production; restrictions on entry to a trade; and combinations to reduce or limit the productive capacity of an industry by scrapping existing plant or restricting the building of new plant. These activities (possibly with some minor variants) should be declared to be *prima facie* harmful to the public interest, and any firm or association of firms believing it had a case to be allowed to practise them would be required to prove that case and obtain a dispensation, either from a Government department or, preferably, from a standing Industrial Commission. The Commission could attach to its permit such conditions as it thought appropriate. In this solution everything, of course, would depend on the policy of the Commission. If it proved to be like the Import Duties Advisory Committee it would be a very poor watchdog. But IDAC was a reflection of the Brummagem policies of the thirties, and the hope of resisting the growth of monopoly and restriction rests on the belief that the policies of the post-war Parliament and Government will be inspired with a very different spirit. If Britain reverts to Chamberlainism, then indeed its days are numbered.

An Act of this character would not, in itself, be sufficient. It would not, for example, solve the problem posed by the trust proper—that is, the single firm in a monopoly position. Such firms have at least the opportunity to achieve maximum technical efficiency and pass on the benefits to the public, and it would be wrong to destroy this opportunity either by trust-busting or by too negative and restrictive a control. The remedy for this particular difficulty might be found along the lines of prescribing for such firms a much greater obligation of publicity in accounts than the Companies Acts impose on industry generally. It might also be found possible to require that a number of publicly appointed directors should be admitted to the boards of such companies.

Patent law is another aspect of the same general problem. The law long ago formulated the general proposition that a patentee had no right to prevent his patent from being used, provided appropriate royalties are paid. The duty of the state is now to revive and enforce this view of a privilege which the state itself confers.

Nor should the effect of tariff protection be forgotten. This is not the place (or the time) to revive the general controversy between Free Trade and Protection. But even if the main case for protection be, as a hypothesis, conceded, it is still true that the particular machinery created by the Import Duties Act placed a large premium on the monopolistic organisation of British industry. It ought to be unnecessary to insist that a protective tariff can be justified only if it serves the general interest of the community at large—but after the experience of the past eleven years such insistence, so far from being unnecessary, has become an urgent matter of public policy.

Finally, there is the labour aspect of the matter. It would be wholly wrong to think of the growth of restrictive practices entirely in terms of black Capital and white Labour. The American laws have been seriously weakened by the exemption of labour unions from their purview, and it should be very clearly understood in this country that restrictive practices are bad, whoever commits them. Mr Morrison himself has no illusions on this score.

Certainly the philosophy of monopoly may offer to a limited number of workpeople some relative stability of employment at a relatively satisfactory wage. But at what cost? At the cost of unemployment for the rest, of insecurity for the rest, of keeping down the national income as a whole by producing less than we could produce, at prices higher than we need; at the cost of installing in the seat of power and action a philosophy which, whatever attractive baits it may hold out to some fraction of the working class, is bound to mean in the end the defeat and destruction of the whole Labour Movement and everything for which it stands. A people's movement which became the hireling ally of a restrictive monopoly capitalism would end as the tool of economic fascism.

NOTES OF THE WEEK

A Famous Victory

The end of the African campaign came abruptly, to the surprise of the military experts who had forecast a stubborn and difficult fight for the Tunisian tip. Bizerta and Tunis fell to the Allies like over-ripe fruit. The process of "ripening" had been intensive since the Eighth Army wheeled northward from the Mareth line. During recent weeks the enemy had been losing men, material and elbow-room at a rate which proved too big a drain on his reserves and supply services. The tactical *coup de grace* was delivered when the First Army, strengthened by units of the Eighth Army, advanced from the Medjez el Bab sector and the Americans took Mateur. Overwhelming Allied superiority in the air left von Arnim with little or no chance to hold out in Bizerta for any length of time. The *Luftwaffe* had abandoned the battle and withdrawn. The enemy was probably confronted with the choice between entangling himself in further fighting in Africa, to the detriment of his strength in Europe, and disengaging from Tunisia in order to cut further losses. He chose the second course. He might have been expected to attempt the evacuation of his forces. This must have been the motive of the withdrawal to the Cape Bon peninsula. But the girdle around Cape Bon was slung with speed and determination; caught within it von Arnim had no choice but to surrender. More even than the quantity, the quality of the captured forces is important. The Africa Korps was the pride of the *Wehrmacht*. It included veteran units and Panzer divisions whose irresistibility once inspired fear on many battlefields. The fact that some of them have now surrendered to the French has the eloquence of a historic symbol. The effect of the Allied victory on morale inside the European fortress can hardly be overrated. The Allies' task is now to exploit their triumph to the full. It is idle at this stage to speculate about the next moves, but one thing seems to be clear. The mounting air offensive on Axis bases in the Mediterranean has now assumed a new character, and the enemy's inner defences are being softened.

Unconditional Surrender

The problem of Italy is now at the centre of Allied strategy. Presumably it will be one of the chief topics of discussion during Mr Churchill's visit to Washington. There is little doubt that some sections of the Italian Government would like to see Italy out of the war at this stage; the people of Italy would be behind the withdrawal almost to a man. Peace feelers have been put out; and there is some sort of a case for arguing that Allied interests would be served by the exit of Italy from the war. The Allies would have the unencumbered use of Italian bases, to complete the encirclement of the Balkans and to mount an offensive against southern France. Control of the Mediterranean would be secure. A great part of the British Navy would be freed for operations elsewhere. These are arguments, however, not for doing a deal with Italy, but for putting a rapid and violent end to Italian resistance. To negotiate with the Duce or with Badoglio or with any other hurriedly produced substitute would be like bribing a way through a door which stands half open. Negotiations would saddle the Allies with commitments—commitments to persons, commitments to economic support. There could be no *quid pro quo* which the "unconditional surrender" of Italy would not give. There are even signs that the Nazis do not rule out the possibility of a negotiated peace between the Allies and Italy. They have not reinforced the Italian mainland. They may perhaps not mean to make a stand south of the river Po. They may conceivably be quite willing to hand over their useless and deflated Ally to the care of others—although it should never be forgotten that the Italian navy, by virtue of its evasive action so far, is still in being. To all these schemes and manoeuvres, the Allies have one answer, the answer of Casablanca. There must be no more Darlans; there must be fighting, not parleying; occupation, and not co-operation.

After the War

The Home Secretary's virtues as a facer of facts and a stater of truths are again recognised in a leading article on page 612. At West Bromwich last weekend, Mr Morrison set out to show why, when the war ends, the familiar controls and restraints of wartime will have to be continued "for some time." The shibboleth he was attacking was the belief that the end of the war will mean, or that it should mean, an instant return to "normal." The fact is that the control and allocation of the nation's resources are a function, not of war, but of the physical scarcity that war brings; and that scarcity will inevitably persist after the fighting has ended. Moreover, there is one other respect in which postwar economy must resemble war economy. The principle of "first things first" is applied in wartime to serve the obvious and unquestionable demands of the battlefronts. After the war, there will be demands, no less obvious and no more questionable, for rebuilding and re-equipment, to say nothing of the higher social and economic values that are loosely comprehended in the term reconstruction. Mr Morrison is perfectly right when he says that the post-war situation will be one of physical shortages, on the one hand, and pent-up demand for goods and materials of all kinds, on the other. He is no less right when he says that, if the controls were removed when the fighting stops, the result could only be the "mad scramble," the rising prices, the false boom and following collapse that would have marked the war itself, if the controls had been absent, and which did, in fact, characterise the period after the last war. The Home Secretary was vague about the duration of this interim period before public and private enterprise will be able to settle, unfettered by scarcity, into their proper and separate spheres. It is impossible for any man to forecast the number of months or years that must elapse before new conditions of peacetime enterprise will be established. Nevertheless, it would be an error to suppose that, because of wartime experience, the nation must be wedded indefinitely to a total control by public agencies of its economic activities. It would be wholly wrong, both in expediency and in fairness, to use wartime experience as an argument for the perpetuation of Civil Service economy. What is needed is a statement, with the authority of the War Cabinet itself, that it is intended to maintain the system of controls and allocation only so long as the requirements of scarcity and urgent priorities make it necessary; that the controls, of resources, finance and labour, will be devised in such a way as to wither away as the need for them diminishes; and that, as the transition period ends, public and private enterprise will settle down side by side with the utmost possible inducement to initiative, adaptability and expansion.

The Currency Plans

The debate in the House of Commons on the British and American currency plans produced a responsible and interesting discussion which will have advanced the prospects of international agreement. There was not the slightest tendency to adopt an attitude of "my country's plan, right or wrong." The Chancellor of the Exchequer went out of his way to declare that though the plan was a British one, the Government were not "putting the flag on it," nor would they regard any criticism of it as derogatory to national prestige; and private members were equally quick to recognise that any scheme finally adopted will have to emerge from genuinely international discussion. Members of all parties, nevertheless, made it clear that they preferred the British plan to the American. The reason given, however expressed, was virtually the same in every speech; the British plan is "more flexible," "more elastic," "more simple." The nearest to a cheer was produced, both by Sir Kingsley Wood and by Mr Pethick-Lawrence, by declarations against a return to any rigid form of the gold standard. It is evident that, on this point, British public opinion has made up its mind—though there was no dissent from the Chancellor's view that gold should have some place in the new system. This is not a distinction without

a difference. Gold should be retained as the substance of ultimate international value; but there should be freedom for reasonable flexibility in the gold value of currencies. Several speakers emphasised the necessity of avoiding competitive depreciation, of securing "reasonable stability" of exchange rates and of permitting changes in them only by agreement. But there was also agreement that it would be fatal to attempt to prevent changes when they were required. The Chancellor confirmed that the two plans had already been the subject of many inter-Governmental discussions, and that the ultimate decision would lie with a conference of Ministers of Finance. Behind the whole discussion there lies what the Chancellor called the "economic philosophy" of the plan, and if the mistake of the 1920's is not to be repeated, this somewhat cloudy area will have to be clarified before final decisions are taken on financial technique.

Taxation of Industry

A most important issue of taxation policy is to be raised in the House of Commons during the Finance Bill debates by an all-party group of Members, who include Mr Benson, Mr Spencer Summers, Sir George Schuster and Mr Graham White. The issue is that of the taxation of industry, and particularly the effect of taxation on the replacement of industrial equipment. A larger and a smaller question are equally involved. The larger question is whether it is really in the interests of public policy to continue the assumption on which the British income tax has hitherto been based—namely, that all income, however arising, whether corporate or individual, should equally be subject to income tax. In the days when a standard rate of 1s. in the £ was normal, the argument of administrative convenience was dominant. Between the wars, with the standard rate fluctuating between 4s. and 5s., the principle was much more questionable, but the needs of the revenue permitted no relaxation. But now that the standard rate is 10s. in the £ and that the prospects of reducing it below 7s. 6d. seem slight, it has become very necessary and urgent to ask what are likely to be the ultimate economic effects of putting such high fiscal obstacles in the way of industrial development. The soundest of all forms of business growth is through the "ploughing back" of profits; is it really wise to make the process so very difficult? This is not an argument that individuals who derive their personal incomes from corporate enterprise should have those personal incomes taxed any less heavily than other personal incomes. Nor, of course, is it a plea that the barriers against tax evasion should be lowered. But it is a suggestion that the common interest would be served if profits genuinely re-invested in fruitful enterprise were more leniently treated.

Whether Mr. Benson and his colleagues will venture on to this wider field remains to be seen. They may content themselves with the more restricted, but still very important, topic of the fiscal treatment of depreciation and obsolescence. The Income Tax Acts permit specified rates of depreciation of machinery and fixed plant to be deducted from profits before tax is assessed. The allowances are small, and in virtually every case considerably less than the most progressive firms actually provide for depreciation—which means that they have to pay tax on a part of what they actually provide for depreciation. Clearly, with any rate of tax, and more particularly with a standard rate of 10s., this acts to slow down the speed with which the productive equipment of British industry is replaced. The case for changing this practice and positively encouraging the modernisation of British industry, especially in the years immediately after the war, is quite overwhelming, and the reconstruction of the public finances which will in any event be necessary after the war should provide means by which the immediate loss to the revenue can be offset. Even if the Inland Revenue cannot go so far as to exempt from taxation all expenditure that is genuinely devoted to replacement and modernisation, they should be prepared to levy on such expenditure a rate of taxation below the normal, and the ability to raise and lower this rate of taxation in accordance with the state of general trade would provide a most effective weapon of trade cycle control. These are not matters that can be settled in a couple of paragraphs or in a single Parliamentary debate. But they well deserve the closest examination.

Bricklaying

Mr. W. S. Morrison made his debut as Minister of Town and Country Planning on Tuesday. He began well. His exposition of the new Town and Country Planning (Interim Development) Bill was clear and able. By it, all land in England and Wales is brought, potentially, within the ambit of planning; and power is taken, during the interim period before actual plans are drawn up for particular areas, to prevent development that might prejudice the final plans. The criticism that has been levelled against this Bill is not that it is unnecessary or wrong, but that it represents only a small and obvious first step which might well have been taken a year ago—immediately after Mr Greenwood, then concerned as Minister Without Portfolio for planning matters, promised that the necessary legislation to give effect to the recommendations of the Barlow Commission would be introduced "at an early date." Three things are needed if the industrial, agricultural and residential development of the land of this country is to be guided in the interests of national welfare and amenity, as the Town and Country Planning Acts, of which this new Bill is the latest, have so far failed entirely to guide it. The first is the necessary machinery, of which the new Ministry of Town and Country Planning—the embryo of a central authority for land-use—is part. The second is the necessary technique, which has so far been completely lacking; the main obstacle in every attempt to plan hitherto has been the problem of compensation, which the recommendations of the Uthwatt Committee are designed to solve. The third, and by far the most important, is a policy. Machinery and technique are useless without a task to perform. The planning of land-use in the past has not only been ineffective; it has also been completely negative. The questions which really want answering before any progress can be made are not questions either of machinery or procedure. They are questions of intention. Does the Government intend to control, effectively, the use of land for industrial, agricultural, residential and transport purposes? If so, what are to be the aims of this control? Control without an objective is meaningless. When Lord Reith took his turn in the procession of Ministers who have been responsible for these questions, he committed the Government, in even more specific terms than Mr Greenwood, to the recommendations of the Barlow Commission, which advised control over the location of industry in order to prevent, on the one hand, the growth of congested cities and, on the other hand, the development of derelict areas. If the Government will state a definite and positive policy, it should not be hard to work out the necessary means to implement it.

The State Within the State

The concluding sentence of Lord McGowan's remarks to the shareholders of Imperial Chemical Industries must be read as a footnote to "A National Policy for Industry," published in November last and signed by the 120 industrialists, on which it sheds a rather questionable light. The sentence is as follows:

It will therefore be our purpose to preserve your long-term interest by the maintenance of efficiency and contentment among our people, by a rising standard of education and knowledge in all our ranks, by the prosecution of our research in an ever-widening field, by our boldness in the development of the new services and products which are emerging from the industrial chemist's brain and by the wise conservation of your company's financial resources, all governed—not by any selfish interest dictated solely by the profit motive—

The MERCANTILE BANK of INDIA

LIMITED

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

Branches and Agencies Throughout the East.

EVERY DESCRIPTION OF BANKING
BUSINESS TRANSACTED.

Trusteeships and Executorships Accepted.

but by our policy of service to the innumerable people who, directly or indirectly, are our customers at home and abroad.

This is a noble conception of the duty of industry, but it rests clearly on the suggestion of setting up a state within the state; and it is difficult to attach any other meaning to the passage which has been placed in italics but that ICI is to be removed from the sphere of competition. How else are they to substitute for profitability any other criteria for assessing the value of any action they may take, and who is to say that their criteria will be valid? It is the function of Parliament to lay down at least minimum conditions for workpeople and to see to it that the legal framework within which industry operates is such that all forms of initiative can reap their reward. If, under these conditions, one firm can provide better conditions, or increased service, by its higher efficiency, all honour to it. But there must not be special enclaves, produced and kept in being by the grant of special privileges and protections, within which the employer can guarantee withdrawal from the hurly burly of life at the expense of the rest of the community.

* * *

Trials of a Neutral

In a recent speech at Eskilstuna, the Swedish Foreign Minister, Hr. Günther, defended his country against the charge of violating its neutrality. He admitted that the permission given in 1941 to transfer the Germans' Engelbrecht Division from Norway to Finland was not compatible with strict neutrality. But the transit traffic arrangements whereby German soldiers come and go between Germany and Norway on Swedish railways was not, he maintained, unneutral, since no more soldiers were allowed into Norway than came out. He concluded his defence by saying that any neutrality policy must keep in touch with reality, and must be modified according to changing circumstances. This is, of course, an understandable, if unheroic, point of view. It is not one that appeals to the Norwegians, and the Swedes themselves are finding it less and less attractive as Allied victory draws nearer and the inevitable balance-sheet—their answer to the query, "What did you do in the Great War?"—is being drawn up. There was, therefore, a general welcome for Hr. Günther's assurance that, since no time limit had been attached to the transit agreement, it could be revoked at once. It is generally assumed that the revocation will not be long delayed. British policy towards Sweden continues to be tolerant and friendly. The matter of the safe conduct traffic from the port at Gothenburg has been cleared up. Until the beginning of 1943, the Swedes were able, by dint of long and hard negotiation, to secure safe conducts from both belligerents for a dozen ships engaged in trans-Atlantic trading, especially with South America. Early this year, the Germans stopped the traffic. Their excuse was the last two Norwegian ships lying in Gothenburg harbour which had still to attempt to run the German blockade and make for England. The others had taken the risk, with varying success, in the last year. As long as the British and Norwegian Governments were trying to take these ships out, the Germans refused to guarantee safe conduct to any ship leaving Gothenburg. Now, however, the safe conduct traffic has been resumed. Presumably the British have given a guarantee not to move the ships for the time being. As the length of daylight and the clearness of the weather for the next three months would make any such attempt impossible, the interests of both the Swedes and the British have probably been served. It is nevertheless another striking example of the good will constantly shown to the Swedish people by the British Government.

* * *

United Nations Unity

One of the urgent problems awaiting Mr Churchill in Washington is the establishment of political co-operation between the United Nations on a firmer basis. The Russo-Polish dispute has come as a salutary surprise to many optimists who assumed that the Grand Alliance was an established fact, with most of its internal difficulties regulated. This increase in realism has not, however, checked the widespread and growing desire for United Nations unity. No survey of recent trends in American public opinion would be complete without some comment on the eagerness with which people are considering post-war collaboration. Mr Willkie's anti-isolationist book, *One World*, is a best seller. It is estimated that well over 200 organisations are working on peace and reconstruction, and

numberless plans are appearing, most of them stressing the need for world government. The isolationists are not beaten and they are fighting back. Their technique very much resembles that of Goebbels—to concentrate their invective on the weak points in the internationalist argument and to confuse and bedevil the issue by appealing to fears and phobias which can be set against the rational appeal for post-war collaboration. Inevitably, Russia has been singled out for virulent attention. First is the question whether or not Stalin is playing a lone hand. "Why should America co-operate," screams the Patterson-Hearst-McCormick press, "if Russia does not? Russian policy is strictly nationalist. It is about time the United States gave up its 'globaloney' and followed the same line of strict self-interest." When Mr Eden was in Washington, there was a good deal of unfriendly press discussion on the lines of Britain "selling out" to Russia and trying to persuade America to follow suit. Then there are Russia's possible aims in Europe. All the national groups in America—especially the Slavs and the Scandinavians—are being bombarded with propaganda telling them that the small nations of Europe are exchanging Hitlerite for Bolshevik domination. The Polish frontier incident has been as much a godsend to the isolationists as to Goebbels, Labour circles have been deeply stirred and upset by the execution in Russia of the Jewish Polish trade union leaders, Alter and Ehrlich. Catholics are traditionally hostile and the Polish question is increasing their intransigence. This is the background of fear and distrust which the isolationists can exploit.

*

The friends of international collaboration are not taking the isolationist onslaught passively. The "internationalists" are attempting two things—to break down the traditional fear of Russia by interpreting the Soviet system to the Americans; and to get support for international co-operation on the grounds of sheer realism. Mr Willkie, who was obviously deeply impressed by Russia—"a darned effective country"—has explained and lauded what he saw of the Russian regime. Mr Davies' best seller *Mission to Moscow* has now been made into a film in which all the political protagonists appear and which puts across the idea that Russia alone followed a consistent foreign policy in the Munich period. *Life* recently produced a complete number devoted to things Russian in which the modern, industrial outlook of the Russian people and the practical common-sense of their leaders were stressed. On the side of realism is the comment of such journalists as Eugene Lyons, who, speaking the more effectively as a noted anti-Communist, nevertheless argues that lasting peace without the collaboration of Russia is unthinkable. The statesmen are playing a hand. There are Mr Wallace's warnings about the risk of World War III unless some United Nations understanding is reached, and Mr Adolf Berle's reasoned speech at Reading, Pa., in which he stressed the historical importance to America of a strong and friendly Russia. It is difficult to be categorical about the balance of power in the pro and anti-Russian war of words. It is part of the wider struggle to secure effective American participation in the post-war world. Nothing is more important here than that Anglo-American diplomacy should end the Polish-Soviet rift. President Roosevelt is sending Mr Davies to Russia with a personal letter to Marshal Stalin. If Mr Davies' new mission to Moscow can lay the foundations for renewed understanding between Poland and Russia, he will have helped to mend the most dangerous gap in the United Nations' line.

* * *

"Cash, Kind and Care"

The authors of *Our Towns*, reviewed in *The Economist* of May 1st (page 545), laid primary stress on the need for more nursery schools. The Nursery School Association of Great Britain, which has organised an exhibition now on view at Harrods Stores, urged in its report on *The First Stage in Education* that the nursery school stage in the national educational system should be recognised, and that it should be made obligatory on local education authorities to provide nursery school education for all children from the age of two, whose parents desire it. These recommendations have now received Ministerial approval. Opening the nursery school exhibition, Mr Herbert Morrison said that plans had already been made to endow the family in cash and kind.

We shall have to turn that pair into a trio—cash, kind and care. That means the nursery school or something very like it.

It is important to realise that what is wanted are nursery schools, and not day or residential nurseries—such as have been greatly increased during the war by the Ministry of Health—or infant schools, or even nursery classes at primary schools. There should be no attempt, that is, to graft provision for children under the age of compulsory school attendance on to the present system of primary education. The nursery school has very definite purposes of its own. It aims at the organised observation of children in their most formative years, by trained staff, and carried out in properly equipped open-air buildings with provision for meals and rest. Moreover, it is part of the policy of the nursery school to work in close co-operation with the parents. Evidence of the advantages of the nursery school over the nursery class is provided in the 1937 report of the school medical officer of the London County Council, quoted in the appendix to *Our Towns*. A comparison carried out over a year showed that the children of the nursery school, all of whom had unsuitable home conditions, had a far better health record than those in the nursery class. A further advantage of the nursery school is that it enables dull and backward children, mental defectives, and problem children to be singled out at an early age for special treatment and education. The advantages were, in fact, recognised as long ago as 1918, in the Fisher Education Act of the last war, which provided that the school age could be raised to six in any area where there was adequate provision for nursery schools. They have, however, been regarded as an extra, an unnecessary liability for the ratepayers, and the provision of the Fisher Act has largely gone by the board. But "we cannot afford not to have the nursery school," say the authors of *Our Towns*.

* * *

Wanted—a Coup d'Etat

The State Department has broken off diplomatic relations with Admiral Robert of Martinique, repudiated all former understandings and recalled the US Consul General. The nature of these understandings remains something of a mystery. Negotiations for a stable settlement of the status and the supply difficulties of the French Antilles have been going on ever since the collapse of France in 1940. In the spring of 1942, after the United States had entered the war, there was a renewed attempt to secure agreement. Had he been willing, Admiral Robert could probably have secured economic guarantees in return for the immobilisation of the French warships and little more than benevolent neutrality. But, after the German occupation of Vichy France last autumn, public opinion in the United States demanded active adherence to General Giraud. The delaying tactics had gone on too long; and Admiral Robert had missed the opportunity of concluding an agreement at all congenial to himself. By the spring of this year, the main bargaining counters on both sides had been used. Martinique was being deprived of food, and the French ships had long since been immobilised. The diplomatic game had already been played to a standstill and, in the almost forgotten language of the past decade, economic sanctions were being imposed. The formal break comes *post hoc*. It is overdue; it creates no new situation and it decides nothing. For it would be uneconomic and inhumane to allow the population of Martinique to starve, the more so since it is widely believed to contain a majority of patriotic Frenchmen who deplore the local fascist Government. Faced with a similar problem, French Guiana staged a *coup d'état*. Madagascar, St. Pierre and Miquelon provide the models for other solutions. Now that Admiral Robert has been driven off the fence, he has passed unmistakably into the enemy camp. His anomalous rule should be terminated.

* * *

Setback in Burma

It would be wrong to take the loss of Buthidaung, the British bridgehead on the Arakan peninsula, too seriously. It is, admittedly, very unsatisfactory that the Japanese should continue to demonstrate their superiority in jungle tactics; that the failure of the ill-conceived Arakan campaign should be thus underlined; and that the Chinese and the Indians should be further discouraged. But the Japanese threat to India through the reoccupation of Buthidaung is no greater than last December when Field-Marshal Wavell's offensive started. When it was plain that the British force would be unable to take

the airfields at Akyab, and would be forced to retreat from the outskirts of Donbaik, it was already clear that the campaign had failed to achieve its limited objective. It was never more than a side show; and the abandonment of a few more miles of a malarial and mountainous *cul de sac* during the rainy season is in no way a catastrophe. Inevitably, the Chinese see the setback against the background of the stagnation of the Allied Far Eastern offensive—in New Guinea as well as at the back door of China—and the possibility of a fresh Japanese offensive. Obviously, there is the danger in the Casablanca plan for beating Hitler first that Japan may effectively consolidate or even extend its conquests in the meantime. Yet, if any development could justify the "one thing at a time" strategy, it is the conquest of Tunis and Bizerta and the reopening of the Mediterranean to Allied shipping. The Mediterranean is not only the water-jump to southern Europe, it is also the route *par excellence* to the East. A large scale Allied offensive in the Far East, which dissipated resources more appropriately used in clearing the shortest route, would have been wasteful and ineffective. The capture of Tunisia is a curtain raiser to the reconquest of Burma via Rangoon and the great river valleys, as certainly as it is to the storming of Europe. The presence in Washington of the chiefs of staff of the Indian theatre guarantees that there will be no neglect of the Eastern offensive. Against this, the withdrawal at Buthidaung—although not the superiority of the Japanese troops—is a small matter.

* * *

Food from North Africa

It was somewhat embarrassing, to say the least, to be told by Lord Woolton, almost before the victory was won, that an immediate effect of military success in North Africa will be to improve the food position in this country. It is no doubt the duty of the Ministry of Food to weigh up at once what benefits for British diet could be obtained from the tapping of new sources and the possibility of easier shipping facilities. But the people of this country, at this crucial stage of the war, are already adequately fed, and the demand for shipping and supplies for military purposes, which must have absolute priority, will surely be enormous in the near future. On the other hand, ships returning from North Africa in any case should not come back in ballast simply for the sake of austerity; and there are some surpluses in North Africa which must be disposed of somehow. Military considerations must prevail without reservation. The British people do not need more food, though the peoples of Russia and Europe do. But if food can be shipped without even the slightest impediment to the military effort, it will, no doubt, be welcome. Perhaps the specific promise of more sardines in the future appears somewhat superfluous in view of the fact that the points value of tinned fish has been reduced in order to dispose of it; and dried fruits, which are also promised, cannot be rated as much more than a luxury in present conditions. The fats ration too, which is also promised additions from North Africa, has been adequate up to now, though the margin is now slender. It would certainly be well to improve the food situation in North Africa itself and in the Middle East, both areas of actual and induced shortages in several respects, before organising any appreciable increase in Britain's own supplies. North Africa needs textiles to replace the sacking which is all that many Arabs, at any rate, have to wear. It will, in any case, be necessary to reorganise local production to serve local and not overseas needs. Nevertheless, these exportable surpluses already exist, notably of dried fruits and sardines; and other surpluses will arise in time. It may be both expedient and wise to take advantage of them, and to use these nearer sources of supply in place of more distant ones. But it should still be considered whether the ultimate benefit of North African surpluses, in whatever part of the world they may be accumulated, should not be kept for the relief of the occupied countries, and of France in particular.

* * *

Industry in West Africa

The biggest problem to be solved in the development of the British colonies in Africa is how progress can be reconciled with the African's own tradition and culture. Politically, the problem is how indirect rule can grow into real self-government; socially, how tribal life and customs can give way to nationalism; economically, how their

wealth can be increased without the creation of a discontented African proletariat. The establishment of an Institute of West African Arts, Industries and Social Sciences near Achimota College in the Gold Coast does not, at first sight, seem a big step in finding a solution to this problem. Actually, however, its influence should be far-reaching. To begin with, it will be mainly engaged in the development of local industries, such as brick and tile making, pottery and the spinning and weaving of cotton. But the long-term policy of the Institute, which has been under discussion for some years now, goes further than this. It aims, not at merely reviving local crafts—pottery, for instance, used to be an old native craft—but at transforming them into small, but modern and economic, industries. Thus, it is attempting to bridge the gulf between the old African village economy and modern industry. The craft of the native used to produce beautiful things. That craft is now disappearing under the impact of cheap imports from Europe and Japan, and the native has begun to lose his craft or debase it in an effort to copy the European. The new Institute aims at saving the old aesthetic values and directing them to the production of things which are really wanted by Africans, not by tourists for curios, and which can be made economically. It will also train Africans to manage the industries, thereby giving wider opportunities for employment to the intelligent and skilled African, who, hitherto, has often found himself thwarted, though means must first be found to provide him with the necessary capital. This extension of opportunity, in its turn, will help to solve the political and social problem. A grant of £127,000 has been made, under the Colonial Development and Welfare Act, to establish the Institute—the largest individual grant made for an educational project. It will be money well invested.

* * *

New Pensions Bill

The promise in the King's Speech at the opening of this parliamentary session that

Renewed consideration will be given to the position of Old Age and Widowed Pensioners and further measures will be laid before you

has been fulfilled in the Pensions and Determination of Needs Bill which was introduced in the House of Commons this week. Broadly speaking, the new Bill provides a great number of very small improvements in the position of different classes of pensioners, but for the great majority of those in receipt of old-age pensions, who number 3½-4 million, there is hardly any improvement at all. The main change is in respect of widows under 60 with dependent children. Hitherto, supplementary pensions have only been payable to persons in receipt of old age pensions, or to widows in receipt of a widow's pension under the Contributory Pensions Act, if they are over 60 years of age. Since it is highly unlikely that a widow over 60 should have children of school age, this stipulation has automatically excluded all widows with children from applying for supplementary pensions, and their only means of supplementing their pensions of 10s. a week, plus 5s. for the first and 3s. for every subsequent child, apart from finding employment, has been public assistance. The new Bill allows them to apply for supplementary pensions instead. Another clause raises from £300 to £400 the maximum sum to be regarded as capital assets, and therefore not immediately available to meet his needs, possessed by a person undergoing a needs test for unemployment assistance, supplementary pensions or financial assistance for the blind. The Bill also reduces the national weekly income per £25 of this capital from 1s. to 6d. The third principal change is the application of the principle of the Determination of Needs Act—the substitution of an individual needs test for a household means test—to the grant of outdoor relief under the poor law and the provision of financial assistance to the blind. Thus, once again, Britain's social services have had to be patched up by an *ad hoc* measure. If proof were still needed of the case for a unified scheme, such as was proposed by Sir William Beveridge, this hotch-potch Bill provides it.

* * *

The Peers at Home

It is normally the practice of the House of Lords, or at least of that proportion of its members who have come recently from the Commons or the Services, to concern itself, as Lord Balfour of Burleigh claimed on Wednesday of last week, with "questions of broad national interest."

The deliberations of Britain at war have been much enriched by their proceedings. Twice recently, however, the Lords have become rather more introspective. Last week, an entire debate was devoted to the status of question-time in the Upper House. On Tuesday, this week, Lord Hemmingford called for the removal of the last traces of religious discrimination in civil office. Both these topics concerned the House's own chairman, the Lord Chancellor, who sits on the Woolsack, outside the actual confines of the House, but speaks, like any other peer, from the ordinary benches. The Lord Chancellor is in no sense a Speaker. He has no control over the practice and deportment of the House. It was argued last week that, if starred questions—that is, those which are designed simply to elicit information and not to provoke debate—were limited to a restricted period on a specific day, there would be no officer of the House competent to hold members within the dictates of the regulation. It was the general feeling of those who spoke that to abandon the present flexible procedure, by which questions of both sorts are taken as they come, would be to sacrifice the peculiar freedom and self discipline of the Lords' proceedings. The purpose of the proposal, which came from a Select Committee of the House—the Committee's own members, in the debate, were oddly different about their own proposals—was strictly practical. The reason for suggesting a set time for questions, on Tuesdays, was that responsible members of the Government could then know when to attend and reply. But the balance of opinion was that the material advantage to be gained would be outweighed by the appearance of an attempt to translate the procedure of the House of Commons, a ruling body, into the House of Lords, whose functions are deliberative. Question time in the House of Commons is a pivot of the constitutional and political system. It is the method whereby the people's representatives keep watch and ward over the doings of the Executive. The position of the Lords is quite different. They seek information, presumably, as distinguished and dutiful individuals. That they should continue to deliberate with as little formality as possible is probably wise—though the intentions of those peers who would like to see their proceedings somewhat more efficient and somewhat less wasteful of time are doubtless of the best.

* * *

The Lord Chancellor

The peers were not inclined to act upon Lord Hemmingford's proposal that the Lord Chancellorship should be made definitely available, by statute, to Roman Catholics. The position is obscure. The Roman Catholic Relief Act, of 1829, which absolved holders of civil office from religious tests, specifically excluded the Lord Chancellor. On the other hand, there is a belief among several experts that the Victorian statutes, of 1863, 1867, and 1871, which made it no longer necessary for any office-holders to swear an oath of their religious beliefs, in fact rectified this omission. At any rate, as Lord Simon pointed out, the Lord Chancellor does not at present make any declaration of religious faith or swear any oath except those of allegiance and faithful service. It would be fantastic if any person of any belief or unbelief were to be excluded, in these days, from any office; and it is a pity that this was not made plainer on Tuesday. It is gratifying to have the definite statement from the Lord Chancellor that Jews are not excluded from the highest legal office. It should surely be made equally plain, by statute if need be, that Roman Catholics are similarly free and equal. To suggest that this would produce a massive and indignant outcry is to do a disservice to British democracy and vastly to overvalue the brazen lungs of a recalcitrant and anomalous minority.

Shorter Notes

A good deal of wishful thinking went to General Franco's recent plea for a negotiated peace. "We have arrived," he said, "at a dead end. None of the belligerents has strength to destroy the other." The Caudillo is in error. If he will only wait, he will see just how completely the power of the Anti-Comintern states—of which he is the non-belligerent associate—will be destroyed.

*

Sir Basil Brooke, the new Prime Minister of Northern Ireland, has formed his Cabinet. He has at least proved himself able to sweep very clean indeed, for with the exception of Mr Grant, Minister of Labour, not one member of the former Cabinet has been retained.

AMERICAN SURVEY

Hours in Akron

(From an Industrial Correspondent)

Cleveland, April 10th

IN what used to be less than an hour's automobile drive from Cleveland's Terminal Tower lies Akron, the centre of the American rubber industry and currently a whirlpool of labour and a confusion of counsel on working hours. The swirl of labour and housing problems was brought about by the immigration of nearly 100,000 persons to join a 1940 population of 349,700 in the metropolitan district. Subtracting 25,000 who have joined the armed forces, about 450,000 are trying to live in a city built for 350,000. Most of the strangers have been accommodated as lodgers with families of older residence; about 1,000 houses have been built or are building; 200 automobile trailers have been brought in; and 500 "demountable" pre-fabricated houses are being assembled.

The current confusion is mainly over the order to the city to adopt the 48-hour working week. This was issued by the War Manpower Commission last September, and recently a "deadline" was placed at March 31st. But today several hundred stores, service establishments and other employers are still running on shorter schedules.

The Akron community presents a somewhat extreme example of the difficulty of standardising anything American, particularly a custom like working hours, over which so much emotion was aroused in the turbulent 1930s. The city has the largest plants of three of America's four leading rubber companies, Goodyear, Goodrich and Firestone; the district is also the home of three middle-sized ones, General, Mohawk and Seiberling; and it still has a few of the small rubber companies like those from which the industry sprang. The city's selection as the home of the rubber business was largely accidental; in 1870 Dr B. F. Goodrich answered a Board of Trade advertisement of the city's advantages, moved his plant there and the rest grew up about it.

Shares in the big three companies are owned all over the world, with a considerable interest in Britain, and four have a string of factories in other countries. Before Pearl Harbour, Goodyear owned 94,000 acres of rubber plantations in Sumatra. Firestone still operates upwards of 35,000 matured acres in Liberia. All three of the leaders are now heavily interested in synthetic rubber. The Dunlop-trained president of Goodrich, John L. Collyer, took his company into synthetic production ahead of any other in the industry.

Exit Tyres

Until the 1930s, the city made the bulk of the nation's automobile tyres. But, following an epidemic of "sit-down" strikes and other labour troubles, beginning in 1935, it rapidly decentralised by the building of a number of specialised tyre plants elsewhere. The withdrawal of tyre work left a good deal of vacant space in the old and large rubber factories, and this was available for the Government orders commencing in 1940. By 1942, all this room had been taken up; the chronic surplus of living quarters had given way to a shortage; and new industrial works were being erected. In addition to tyres, the city is manufacturing quantities of other rubber and fabric goods and metal products. For the first time in its history it has become widely diversified.

Akron entered the war period with a working week in the tyre industries of 36 hours, and in the rest of the city of about 40 hours. Rubber workers were averaging well over \$1 an hour in wages, the second highest pay schedule in America. The short week, shorter in Akron than in any other city, had been installed at the demand of the United Rubber Workers, a union which arose in 1933 and 1934. Its purpose was to spread the work to a surplus of workers.

This 36-hour week persisted into 1942, and though in many departments it became merely a point at which to begin computing overtime pay at time and a half, hundreds

of tyre builders still kept to 36 hours. The new plants and new departments in old plants operated on longer hours. Last fall, employers were ordered to take 48 hours as their target. By February, they were averaging 45 hours, with other employers at 43½ hours. Tyre builders resisted the extension, on the ground that to go to 48 hours would release a number of workers who would have to take jobs paying so much less, that even at extra hours, they would make no more money than they formerly did. The hours were steadily lengthened, however, and today some of the experienced men put in 56 hours and receive extra pay enough to give them the equivalent of 68 hours. A pay check of \$100 a week is not uncommon in Akron today, repeating an experience in the last war. The total payroll is now about \$23,500,000 a month, giving the city one of the largest per capita incomes in the world. Retail sales have been more than doubled in the last two years; shortages of merchandise are chronic there; and all the phenomena of inflation are present.

Working Weeks and Overtime

Today Akron industry has a conglomeration of working weeks, running from 36 hours in a few jobs to 56 in others. Bartenders in the city's pubs happen to be on a 48-hour week, and are petitioning the War Labour Board to give them a 40-hour base, so that they can collect some overtime pay without having to go into the mills. Some officers of rubber unions want the 48-hour week spread over seven days so their members can receive double time for Sunday work. Women are prohibited by Ohio law from working more than 45 hours in manufacturing, but the law is widely ignored.

The main resistance to the new standard 48-hour week comes from mercantile and similar establishments which say they can do no more business in 48 hours than they have been accustomed to do in less time. More than 200 exceptions have been filed to the Manpower Commission's 48-hour order, and it is announced that these will take some time to apply. Where they can show that no persons

ORDINARY FIRE DAMAGE ONE-THIRD GREATER THAN PRE-WAR

Serious Handicap to War Effort

SINCE the war, loss to the nation through ordinary fires has gone up by one-third. Last year, well over 1,000 fires broke out in Britain every day.

This figure represents a serious handicap to the war effort. More serious still is the diversion of manpower, of raw material and of shipping required to repair the loss.

Who is responsible for this needless destruction, and why cannot precautions be taken, in the national interest, to stop it? Here is the answer:

Most fires are caused by some simple act of carelessness by a normal person who thinks that he (or she) is careful.

It is estimated that nearly 50% of the fires are caused by matches and cigarette ends.

Every reader of this paper is asked to help to reduce this terrible national loss from fire. Smokers are



specially appealed to. Remember, that it's "careful" people who start fires—and that means you! Be more than careful, be sure. Be absolutely certain that your match is quite out before you throw it away. Never leave a cigarette end burning even in an ashtray. Stub it out.

**Most fires are caused by 'careful' people.
Don't just be careful—take EXTRA care.**

would be released, employers are not required to conform.

The Akron situation is being closely watched by employers in Cleveland, who have been notified they must go on a 48-hour schedule in about four weeks. The metal-working plants in Cleveland are now nearly all working 48 hours, some of them many more. The firm of Jack and Heintz, a new concern between Cleveland and Akron, keeps its force employed seven days of 12 hours each, the overtime payments adding enormously to the incomes of the workers. This plant, the object of much inquiry by national magazines lately, is noted for its plant "spirit," its bonuses, its monthly banquets and its free vacations in Florida. Production per worker is phenomenal, but only the stronger are able to stand the pace.

American Notes

Behind the Truce

The coal truce expires on May 19th. As yet there is no assurance that that day will not bring another walk-out, although the President, in his press conference, pointed out that the miners were working for the Government and that in all his years of public service he had not heard of a strike against the Government. The impasse appears to remain the same—that the Administration requires a settlement between the union and the operators agreeable to the War Labour Board, and that Mr Lewis refuses to recognise the Board and demands a contract from the Government. The Board's fact-finding panel has begun its hearings, in public, because of the ostentatious absence of any representative of the miners, and with an inviting reminder that "the latch-string is on the outside of the door." The period of the truce has been called a war of nerves. There are two hints of what may be about to happen. Congress has lost no time in preparing anti-strike legislation. The Senate, by a vote of 63 to 16, has passed a Bill (introduced by Senator Connally, Chairman of the Foreign Relations Committee—a fact which may prove to have its significance) providing that the Government may seize war plants where stoppages occur and that it then becomes a crime punishable by fine or a year's imprisonment to instigate further strikes in these plants. The House is said to be considering more drastic legislation. Such a law, if the President signed it, would provide an effective weapon in the present crisis, but it would embitter the miners and alienate the other great labour bodies, which are already proclaiming that a "war against labour" has been declared. The conservative press, on the other hand, feels that it penalises the innocent owner more than the strikers. Another possibility is suggested by reports that the War Labour Board itself feels the "little Steel" formula is unenforceable in the face of the rise in living costs unless it is further clarified—which can only mean weakened to permit further increases. The Senate, in voting to give a statutory basis to the WLB, adopted an amendment which, it is said, would make it possible to ignore the little Steel formula and by-pass Mr Byrnes's powers over wage stabilisation. Congressmen, in short, are more interested in preventing strikes than inflation, and if the heart of the public could be searched, its attitude would probably be the same, in spite of all the propaganda on the effects of inflation. This is the fundamental weakness of the President's position and the strength of Mr Lewis's. The Administration is working hard to "roll back" the cost of living, but it is doubtful whether time is sufficient for its efforts to convince the miners and conquer the profound scepticism of their leader. The way in which the coal dispute is handled over the next few days will be momentous both for the stabilisation programme and the future of labour relations.

The Cost of Living

The coal dispute is a symptom, although admittedly a violent and complicated one, of the broader struggle to adjust the cost of living. The problem has become so urgent, if wage stabilisation is to have even a chance of success, that the Price Administrator has announced that on June 1st the retail prices of meat, butter and coffee will be "rolled back" by about 10%. According to reports, this is to be accomplished by the use of subsidies to the processors. As Congress has turned a hostile ear to earlier requests for funds for subsidies, the money is to come from

the Reconstruction Finance Corporation, and there are stories of a \$2,000 million a year programme. Attempts will also be made to reduce the price of fresh vegetables and fruits. The over-all aim is to reduce the cost of living by about 2½%, and bring it back to the levels of September 15, 1942. At the same time, an energetic effort is to be made to enforce the ceiling prices, which should be easier now that dollars and cents retail ceilings are being established. It is expected that they will cover 80% of all consumers' goods by June 1st. The belief is that once the cost of living is cut back, and firmly under control, the ground for further wage demands will no longer exist. Opinion in the United States, which has been strongly against subsidies, appears to be gradually changing, and a number of commentators have pointed out the success of the British subsidy policy. It remains to be seen, however, how gracefully Congress will accept this open by-passing of its long-standing aversion to the use of subsidies by the Administration. There is almost sure to be an accusation of political manoeuvring in their use. Mr Davis, the Director of the Office of War Information, was quite right in calling the step the "most decisive action yet taken in the endeavour to hold the line against inflation." One can only hope that it has not been put off too long.

Trade and Peace

This week the House of Representatives is debating the extension of the Trade Agreements Act. The final vote on the Act, and on any amendments which may be brought forward by the Republicans, is expected to take place on Thursday. If the vote follows strictly party lines, as it did in the Ways and Means Committee, it will be close, for there are 221 Democrats to 209 Republicans, with 4 members independent of either party. While it is true that the defection of a small number of Democrats might make possible the crippling of the Act by providing that agreements must be submitted to a Congressional veto, such action is becoming more remote in view of the powerful, and at times unexpected support the Act has been receiving. The US Chamber of Commerce last week passed a resolution calling for renewal of the Act, and even Mr Harrison Spangler, Chairman of the Republican National Committee, has given it a qualified blessing. Mr. Sumner Welles continued his campaign in a speech at Toledo in which he argued that the decision on trade agreements was in effect a decision for economic peace or for trade war, and that it was of crucial importance to all living Americans, and generations yet unborn, that the principle of economic co-operation be upheld. The opposition has apparently been unable to produce any new reasons for amending the Act other than the recurrent desire to clip the wings of executive freedom.

War Production

Mr Nelson's ninth report on war production showed an increase of 165 per cent in munitions production over March a year ago, although the quarter's output is only 18 per cent of that scheduled for the year 1943 as a whole. If this year's goals are to be met, the average output of future quarters will have to be half as large again as in the first three months. Mr Nelson pointed out that the very great gains of last year could not be repeated, and that the necessary increase would have to be brought about through more ingenuity in the use of substitutes for steel, and in meeting the shortage of skilled labour by adapting machines to replace hands, and in more training of women. Scheduling of production was beginning to show results, but here too he felt that more might be done to improve the control of materials and reduce dislocation in shifting from one type of production to another. One step which has been taken and may have to be extended is an order forbidding manufacturers from placing orders for materials with more than one producer. Presumably in the interests of better distribution the manufacturer will be willing to accept being "tied" to a supplier, although the American consumer is as yet unwilling to see this curtailment of his freedom. Mr Nelson's report was not pessimistic, however. New records were made in March, particularly in the production of planes and of Liberty ships. It is noteworthy that the Truman Committee, which is usually chary of praise, in a recent statement congratulated Mr Nelson on his success in scheduling and in the allocation of critical materials, although it urged that he be given—and exercise—more authority over his subordinates.

THE WORLD OVERSEAS

Laval and After

(By a Correspondent)

DURING the last few months, the attention of Frenchmen outside France has centred on the military and political developments in North Africa. The protracted and somewhat intricate negotiations between General de Gaulle and General Giraud have figured in the headlines almost daily; compared with these the internal developments in France itself have almost faded into insignificance. Yet it is in Metropolitan France, and not in its colonial possessions, that the future of France will ultimately be shaped. Now, when the French African Empire has been definitely freed from the Axis, the political outlook in France itself has come to the fore again.

Towards the end of its third year, the *Révolution Nationale* shows unmistakable symptoms of exhaustion. It started with the avowed purpose of replacing the Third Republic, as a regime of national rebirth after a military disaster. Instead, it has proved to be merely the reflection of the military collapse in the sphere of politics. Even the most ardent prophets of the *Révolution Nationale* must be aware by now that the regime which they had proclaimed a new era of French renaissance is only a transient armistice regime, and that in order to perpetuate it the armistice itself should first be perpetuated.

The failure of the Vichy regime has been due to its inability to rally a genuine social and political mass movement around it. True, the legend of the "victor of Verdun" exercised an overwhelming influence immediately after the collapse. But this was not the "dynamic" legend of a Fascist demagogue, Pétain's was a legend which, at its best, inspired only passive confidence and apathy. Betrayed by some of the traditional politicians and frustrated by others, the mass of Frenchmen in 1940-41 believed that Pétain would neither betray nor disappoint them. He was the "conscience of the nation" and a reliable trustee for the whole of France. The *Français moyen* instinctively invested Pétain with all those lofty qualities which had to be concentrated in somebody in order that an excuse for the nation's own helplessness and stupor might be provided. But helplessness and apathy are not the stuff of which a revolution is made, not even a *Révolution Nationale*. This was in any case not the political background of National Socialism or Fascism.

No Fascist Movement

The attempts to stir dynamic Fascist movements in France were made by several would-be leaders—by Doriot, Deloncle, Déat. But all these attempts have ended in a fiasco, which has recently been emphasised by Doriot's retirement from the political stage (Deloncle disappeared mysteriously some time ago). If anybody in France possessed the qualities essential for a Fascist leader, then it was surely the former mayor of St. Antoine. Like Mussolini, he had behind him the past of an ultra-Left demagogue; like Hitler he was the born plebeian, able to fan the worst instincts of blind despair in the masses. He failed, not because of his individual "shortcomings," nor even because of Laval's shrewd intrigues, but because the political conditions had not favoured the growth of a vigorous Fascist movement within the framework of the armistice regime. Fascism and National Socialism at least exploited the feelings of national pride. Hitler and Mussolini preached aggrandisement or revenge. All that Deloncle or Doriot or Déat could do in Pétain's France was to stifle popular feelings of pride and to preach capitulation. The atmosphere of nationalist exaltation was entirely absent; and the seed of the *Parti Unique* was killed by the cold breath of national humiliation. The Germans have drawn their conclusions from this. They have dropped Doriot—because he could not deliver the goods—in favour of Laval.

This is the fundamental fact which cannot be glossed over in any political calculations bearing on the future of France. No genuine Fascist mass movement has developed inside France since the collapse of the French parliamentary democracy in 1940. The Third Republic has been temporarily replaced, not by any *Révolution Nationale*,

but by Laval's undisguised police state. Apart from some groups of the French bureaucracy, no section of the French nation has any vested interest in the Vichy regime. For the mass of the bourgeoisie, this regime has meant impoverishment and degradation. Big business has used it as a cover for its opportunist interests; and, as the events in North Africa have shown, it will have few scruples in dissociating itself from Vichy in favour of any other political set-up which will leave property intact. To the peasantry, Pétain and Laval could offer only empty physiocratic flatteries, coupled with requisitioning; and, to the workers, low wages, high prices, compulsory labour and the *relève*.

Laval, endowed with the Marshal's blessings, moves almost alone on the political stage. As the head of the Government, he is at the same time his own Minister of Foreign Affairs and Minister of Interior (i.e., Chief of the Police), and his own Minister of Propaganda. The vacuum around him is growing with every reshuffling of the administration. Only recently, he had to part with two such pillars of Vichy as Marion, the Minister of Propaganda, and Joseph Barthélemy, the Keeper of the Seals and the Minister of Justice. Marion, Doriot's associate, was no longer able to act as the mouthpiece; and Barthélemy, the Sièyès of the *Révolution Nationale*, was no longer able to look after the legalistic respectability of Vichy. Some of those who had hailed the *Révolution Nationale* in 1940 have, in the meantime, taken in North Africa a new oath of allegiance to the Republic; others, like de la Rocque, have travelled from the Vichy couloirs to the prison cells—even Laval's "revolution" devours its own children.

Under any normal, though not necessarily democratic, conditions a regime so isolated could hardly survive in France more than a few months. Laval knows this when he says:

Am I popular? Is anybody popular when he hunts down Bolshevism, the black market, Anglomania? If you were popular, it would be because you were not doing your duty. . . .

But it is not Laval's self-advertised delight in unpopularity that keeps him in power. It is not even his police or his Militias. It is the presence of the enemy on French soil. The recent events in Haute Savoie again demonstrated how little benefit can, under present conditions, be expected from sporadic revolts of Frenchmen, who single-handed try to challenge the joint forces of Laval's police, the Gestapo and the Wehrmacht. The resistance to the *relève* has, therefore, had only a limited success. Many workers hide in the countryside; engineers evade the *relève* by hiring themselves as lumber-jacks. But, in spite of this, more than half a million French workers were transferred to Germany towards the end of last March; and, since then, the transfer has been reported to be proceeding at the rate of 40,000 workers a week. Sauckel has thus been achieving two objectives at one stroke; he has been supplying labour to the German war industries, and at the same time denuding France of its manpower, and thus destroying French military potential for the moment of an Allied invasion. Together with the prisoners of war, at least two million Frenchmen have been removed to Germany; and the figure may rise even higher.

For the Child's future —

consider a

MAGNA CARTA POLICY

which affords protection should the father die during the child's minority.

NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE

Founded 1835

48 Gracechurch Street, London, E.C.3

Vichy's Police

The *relève* has understandably been the main issue in French internal policy during the past half year. The man-hunting has been done by Vichy's gendarmerie and police. After the various purges in its personnel which have taken place since 1940, the police has been reduced to a ruthless tool of collaborationist policy. In this, France is not alone among the occupied countries; almost everywhere in occupied Europe, the old police forces, with a few remarkable exceptions, have been used against the interests of their own nations. In the case of France, the problem is perhaps aggravated by the illusory sovereignty of Vichy and of its administration. Vichy's police has, perhaps, more than any other similar body in Europe, worked for the Germans almost of its own accord, without the direct supervision or assistance of the Gestapo.

It is not difficult to see the corollary to this. In North Africa, the wish to preserve the continuous functioning of the established administration played, for various reasons, an important part in Allied policy. But it seems fairly clear that the North African pattern ought to be inapplicable on the Continent. Allied policy will surely make it quite clear that in the future it will not sacrifice the interests of the French people to the dubious considerations of legal or administrative continuity.

Axis Economics

[BY A CORRESPONDENT]

May 11th

FOR many years, there has been a striking similarity between the general direction of economic activities in Germany and Italy. The popular assumption that Germany rules Italy like Belgium or Holland is not borne out by the scanty information that is available about Italy's economy. There were periods when Fascist Italy was definitely ahead of Nazi Germany in the application of methods of economic control and planning. The same principles have been used, however, against a very different background, and in certain respects with different results. Under conditions of a Continental blockade the two countries have become to some extent complementary. The superior weight and range of Germany's industry makes itself increasingly felt almost proportionately to the growing threat of an invasion of Italy. The main principle of economic relations between Germany and Italy since the beginning of this war has been the equalisation of economic resources in the widest sense of the word. Italian manpower, foodstuffs, silk, sulphur and mercury have been as important for Germany as German coal and steel for Italy. There is, however, the difference that the resources of the conquered countries were mainly used by Germany. This is clearly shown by the fact that Italy's trade agreements with German-occupied countries are usually concluded in Berlin.

Since last winter, the economic relations between the two countries show many changes which, at first sight, look like Italian concessions to peremptory German demands. Yet there is a striking instance which could be interpreted as a German concession to an Italian demand. Germany and Italy concluded an agreement that unskilled Italian workers should return to Italy, whereas more Italian skilled workers should go to Germany. This agreement, which has been stated only in the most general terms, marks the end of surplus manpower in Italy. Military losses and the greater demands of a detailed cultivation plan for Italy's agriculture have created a serious manpower problem in Italy, where only a short time ago the textile industry worked on a short-time basis. For the first time, the general line of the battle for agricultural production has been extended to a rigid plan fixing the cultivation for each farm in detail. As in Germany, the greater part of agricultural products receive considerable state subsidies. The interdependence of the two countries is obvious in this new plan, which aims mainly at the extension of the area under cereals, maize, potatoes, pulse and oilseeds. Both Italian and German sources state that at one time Germany supplied some wheat and potatoes to Italy, which certainly cannot be repeated. As in Germany, self-sufficiency in staple foods has never been achieved. The surplus of vegetables and fruit is no substitute for cereals, and is still being exported to Germany.

In March, it seemed that Italy followed, under German pressure, the policy of so-called total mobilisation by extending compulsory labour. But it is interesting that com-

pulsory labour was already more extensively used than in Germany. At the end of last year, 5,245,800 workers, of whom 1,247,600 were women, already worked under conditions of compulsory labour. This is a very high percentage of Italy's total labour force, and is explained by the fact that during the course of the war the compulsory labour law was summarily applied to factories as well as to single workers.

In industry, German capital interests are undoubtedly great in the mining industry, and there are numerous companies, new and old, in other industries where German interests amount to 49 per cent of the share capital. A typical instance is the recently founded "Italo-Tedesca Tobacco" company. The atmosphere of equality is even more strongly shown in the exploitation of vital mineral resources by the Axis in South European countries, where the third country is frequently given a share in the capital of the exploiting company. An example is the "German-Italian Mur Mineral Oil Industry," which is domiciled in Budapest. The actual founders are the German-Hungarian Oil Company "Manat" and the Italian AGIP. Three Germans, three Italians, and two Hungarians form the board of directors. The German "Suedosi Europa" Society founded in combination with Italian firms a company for the cultivation of silkworms in Greece. At the same time, Italian textile companies, as well as the concern "Montecatini," have been given spheres of interest in the Balkan countries. It is quite obvious that recent decrees for the improvement in Italy's mining industry needed no special prompting by the Germans. Greater mining output is as much in the direct interest of Italy's autarky as of Germany's.

The equalisation of the resources of the two countries goes even further. The Montecatini concern, which owns an electric grid system, intends to link it up with the German grid system. Germans definitely dominate the scene of economic activity where it is dependent on German machinery. The refrigerator plants for vegetable and fruit, for example, in Italy are entirely in German hands, which also means control over the marketing of these products.

A decisive point is, however, that the Italian administration is as well experienced in central state control as the Germans. It is obvious that the Germans could only dominate the entire economy if the political administration had become a branch of the German administration. But this has not happened. As a politician, Mussolini is undoubtedly superior to Hitler. The impression of absolute German domination has been created by the fact that the highly centralised German industry was much more easily turned into a centrally planned economy than the Italian economy which differs so greatly from one region of the country to another.

The most striking difference, which is at the same time a threat to the relative stability of economic relations between Germany and Italy, is that the control of prices, finances and the markets is less effective in Italy. The price and wages stop, and rationing are as rigidly applied as in Germany. Yet the great differences between the different regions, the greater exhaustion of the resources and the overgrown bureaucracy in the state and party organisations prevent an effective co-ordination, in spite of the attempts made by the Inter-Ministerial Committee for Supplies and Price Control. Since the beginning of the war, prices of the most essential commodities have risen by at least 50 per cent. Clothing and footwear prices show a much greater rise, and have become prohibitive for the majority of the population. Black market activities are undeniable, and could not be prevented because of the largely agricultural character of the country. The price situation made it necessary to raise wages, and this is done characteristically by promising a kind of premium to all workers.

The most disconcerting sign in the Italian economy is, however, that Italy among all belligerent countries covers the smallest part of total expenditure by taxation, that is to say, less than 30 per cent. The annual deficits in the budgets are large, and are covered by issuing Treasury bonds. On paper, taxes have been increased in the main by war surcharges, but the methods of assessment and the collection of taxes are extraordinarily inefficient. Although most of the companies, with the exception of the great armament concerns, report difficulties in production and a general decline, profits are nominally very high. Dividends from 10 to 15 per cent are not infrequent. By nominal capital increases, companies evaded taxation until a decree introduced a 20 per cent tax on all capital increases. By fixing import and export prices in the trade with Germany, some stability in price relations is still secured. In Italy itself, the rise in prices automatically effects a reduction in the consumption of the masses, which could not be done by the necessarily imperfect system of rationing.

Copy for Directors of
REPORT ON COMPANY'S BOILER PLANT
by
THE ADVISORY ENGINEERS OF
The Ministry of Fuel and Power

PLANT SURVEY

Four hand-fired Lancashire Boilers are installed, with steam jet forced draught grates.

The CO₂ indicator, according to the Engineer, never had worked, was no good, and never would work. On inspection it was found that the instrument could quite easily be repaired in the workshop.

The boiler attendant was evidently inexperienced. The boiler fired only at long and irregular intervals

The fire was patchy and the back ends of the grates were thin. The steam jets were on full boiler pressure!

Draught control was stated to be carried out on the boiler dampers. To do this, the attendant had to climb a ladder, walk across the top of the boilers, and operate the usual weight and pulley arrangement. In our opinion, this was seldom, if ever, carried out.

The brickwork was deplorably leaky. The maximum CO₂ obtainable in any side flue was 5% (instead of 10% to 12%). Short circuiting was resulting in side-flue temperatures as high as 830°

The only good features associated with this Plant were that it was free from steam leakages and that the pipe lines were well insulated

CONCLUSION

Two or three further visits will be necessary; the necessary draught control provided, and operation established on sound lines.

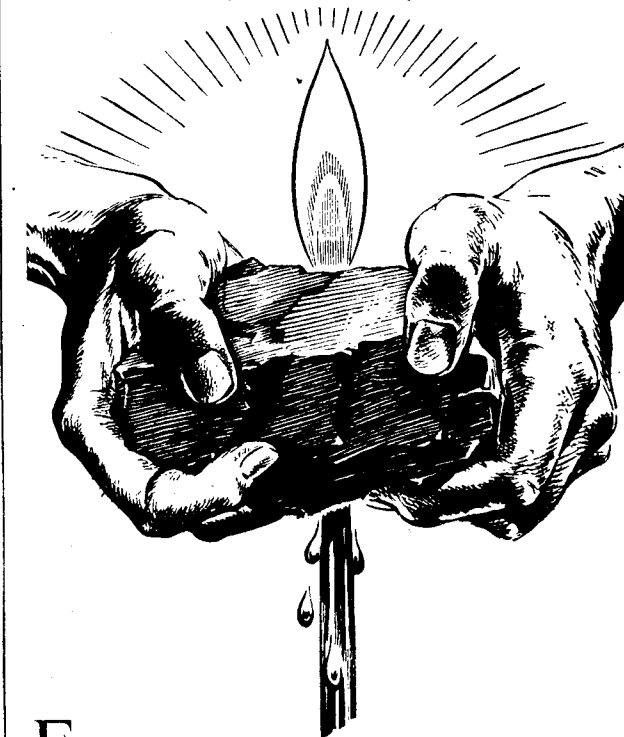
It is our considered view that consumption can be cut by something like 15%.

(Signed) J. Jones
N. Clark

The above report is based on fact! Can your Boiler Plant stand critical examination? The Ministry of Fuel's engineers and bulletins are freely available to help you.

Issued by the Ministry of Fuel and Power

We squeeze to save



FROM every ton of coal used by the Gas Industry, no less than half a ton of coke remains after the gas is extracted. Not only coke, but many other valuable materials are obtained in making gas. Tar, for instance, which forms the basis of more than 2,000 substances, from life-saving drugs to the metal-replacing plastics for tank and aeroplane equipment. Benzole, another vital by-product of gas-making, is our only home-produced source of aviation spirit; while the ammonia and sulphur by-products provide the nation with explosives, fertilisers and valuable industrial acids. The Gas Industry squeezes all there is of value out of coal.

Why, then, is the public asked to save Gas? Surely, more gas means more by-products? True, but gas-making plant is not elastic. Gas must be saved by domestic users so it can be diverted to war factories where it is needed most.



BRITISH COMMERCIAL GAS ASSOCIATION LONDON, S.W.1 (9)

Portugal Looks Ahead

[FROM OUR LISBON CORRESPONDENT]

ALTHOUGH no official comment on the monetary proposals of Keynes and Morgenthau has as yet appeared, their simultaneous publication, coupled with the explicit statement that invitations to discussion will be sent to the United Nations, has caused much talk, and some uneasiness, in Portuguese financial and commercial circles. At the moment, Portugal is well in credit, both in Great Britain and the United States. Gold held for the account of the Bank of Portugal is also considerable, and with the Axis clearing system, as well as with Spain, the country is, on paper, a creditor. Therefore, say the optimists, there is no reason for alarm; the war is not over and everything points to the further growth of Portuguese credits held in hard cash or first-class bank paper abroad.

To this, the cautious reply that the war may cease in Europe at any time. If this occurs at short notice, it means cutting the bottom out of Portugal's present export trade and the inrush of large quantities of imports. Such a *bouleversement* of present-day conditions might well have rapidly disastrous reactions on both the bond market and the real estate market, and would be particularly devastating to the latter, where prices have been pushed up madly during the past twelve months. Therefore, it is argued, now and not later is the moment for Portugal to be associated openly and directly with any course of discussion that may be outlined; it should intimate its willingness to share in such plans as may be devised for the stability of capital and the expansion of international trade. Portugal's own standard of living is admitted by its legislators to be low in comparison with other countries of Europe. Hence the Portuguese market is capable of great expansion. Portugal has no reason to pay lip service even to the illusions of the Axis "New Order," and, even if the

Axis debts have to be written off as a dead loss, that would be nothing compared with the cumulative benefit to be gained from making a firm stand financially on the platform of the United Nations. This, it should be repeated, is but the view of private individuals. But it is widely held.

Shorter Notice

"The Theory and Practice of Central Banking 1797-1913." By E. Victor Morgan. Cambridge Studies in Economic History. 252 pages. Price 15s.

This is a valuable addition to the growing but still small number of serious studies of banking theory and practice in this country during the nineteenth century. Mr Morgan traces the development of central banking theory and practice in this country from the Bank restriction period to the eve of the 1914-18 war. He has diligently searched every source of information on this subject, save, of course, those very reticent internal sources which it is to be hoped are now yielding their secrets to Dr Clapham engaged on his history to mark the centenary of the Bank Act of 1844. Mr Morgan provides an admirable description of the economic environment in which central banking policy developed during this period, and of the growing consciousness by the Bank of England itself of the rôle it should play both in the domestic credit structure and within the wider framework of national monetary policy. How gradual and chequered was that process of education is shown by the fact that, while in 1811 Thornton was discussing the frictions and difficulties that would attend business adjustments to a falling circulation, in 1866, a director of the Bank could still accuse *The Economist* of having put forth "the most mischievous doctrine ever broached in the monetary or banking world in this country" because this paper had commended the policy of liberal lending policy by the central bank during the crisis of that year.

Russia at War

The Third Summer

THE victorious conclusion of the North African campaign has been greeted by the Soviet press and radio with a cheerfulness reminiscent of the spirit that reigned after the victory of Stalingrad. "Africa is finished, the battle has now swung to the gates of Europe," was the typical comment of *Red Star*, the paper of the Red Army. Naturally enough, the press stresses the part which the winter campaign in Russia played in weakening the military strength of Germany and thus facilitating the Allied victories. *Pravda* wrote:

The blow which the Red Army inflicted on the enemy in the east is now, for the first time during the war, merged with the blow inflicted on the German fascist invaders by our Allies.

The conclusion of the African campaign has—to judge by the tone of press comments—done very much to strengthen "Allied mindedness" in Russia. This has also been shown in articles devoted to the position on the Russian front itself, in which the deliveries of arms from the Allies have frequently been mentioned. Military writers have stressed the need for a quick and correct distribution of Allied supplies and weapons throughout the fighting fronts.

Stalin's May Day Order has been followed by a spate of didactic articles and appeals to the Army, calling it to prepare thoroughly for the impending campaign. The tone of those appeals is very confident. The war industries, it is said, have worked intensively throughout the winter, and the Army is now amply supplied with all kinds of perfected weapons, and especially with swift aircraft and powerful tanks. Even the customary warnings against undue optimism have been worded somewhat less categorically than they were some time ago; and only limited German offensive thrusts seem to be anticipated.

The enemy is not yet smashed. Stubborn and fierce battles lie ahead against an enemy who is still strong. It is possible that on some sectors our units will have to wage defensive battles. No matter how the situation may develop on one sector or another, they must not for one minute lose faith in victory.

Some idea of the energy with which the preparations for a third summer campaign are being made has been provided by the Government's decree of April 15th, which

introduced martial law on the railways. The official explanation gave a warm appreciation of the devoted work performed by the overwhelming majority of Soviet railwaymen. But some groups of railwaymen, it seems, have lately been slack and irresponsible. This has tended to disorganise railway transport at a time when the fighting fronts are more than ever dependent on quick and regular deliveries. On May 10th, the decree of martial law was extended to marine and river traffic, which has this year started earlier than usual, and is expected to relieve the pressure on the railways. The transport position this year is not easy, because of the heavy wear and tear of rolling stock and the extremely low rate of replacement. Yet, in view of the unexpectedly good performance of the Soviet transport system during the past two years, there is no reason to suppose that transport will not be able fully to cope with its task this year. The introduction of martial law is probably intended to forestall rather than to undo a deterioration in traffic.

In this stern pre-campaigning atmosphere the Soviet-Polish conflict, after a few days during which it stood in the centre of attention, has been relegated to the background. The conflict has not petered out. Soon after M. Vyshinsky's statement to the foreign press, it was announced that the Council of the People's Commissars had authorised the Society of Polish Patriots to organise a Polish division which will fight side by side with the Red Army. The commander of that division is Colonel Bering, a former colonel of the Polish Army.

The formation of that division was acclaimed at the third Pan-Slav conference which met some days ago. This was the third conference of the kind; at the first in 1941, the Poles participated officially and played a leading part. At the second, in 1942, they were absent. This time the members of the Union of Polish Patriots spoke on behalf of Poland and attacked the non-Communist Poles very violently ("Death to the traitors"), although General Sikorski personally was spared. This may perhaps indicate that the Soviets are still careful to leave the door open for negotiations. The Czech representatives at the conference were accorded a very warm welcome. Delegates from the Yugoslav guerillas, as well as Bulgarians, took part in the meetings. The manifesto issued by the conference calls in the name of Slav solidarity all the Slav peoples to immediate armed struggle against the Axis.

THE BUSINESS WORLD

The Future of Industrial Assurance

THE decision of the Government that, with the main proposals of the Beveridge Report, it will have too much on hand to contemplate the nationalisation of industrial assurance throws back on the industry itself the task of remedying its defects. Chief among these is the large cost to the public at which the business is conducted. This feature is likely to be aggravated by two changes which have actually been decided upon, namely, the institution of a universal death grant and the abolition of the approved society system of National Health Insurance. The former will involve the cancellation of a large number of the voluntary funeral benefit policies at present in force, with consequent spreading of fixed operating costs over a smaller volume of premiums; the latter, by taking away a part of the collectors' incomes which the offices may find it necessary to make good in other ways, will also tend to raise costs, but this will be mitigated if the industrial approved societies are retained as agents for the new scheme. In any case, the changes envisaged make the need for rationalisation all the more urgent.

At present, the business is transacted by 14 proprietary and mutual companies and 146 collecting societies; the companies are responsible for four-fifths of the total volume, against only one-fifth for the large number of societies, but not all of the societies are small. The accompanying table, compiled from Appendix D of the Beveridge Report, exhibits the present structure of the business by comparison with the position a quarter of a century ago. The mean annual premium income, expenses of management and dividends to shareholders for the six years 1912-17, and four years 1937-40, are shown, together with the mean annual income-tax in 1937-40, corresponding figures for the earlier period not being available. The fifteen offices treated individually are arranged in order of economy of management, i.e., ratio of management expenses to premium income, in 1937-40. Apart from the very rapid growth of the industry as a whole, the most striking feature of the table is probably the greatly improved working efficiency of the *Prudential*, an improvement known to be chiefly associated with the introduction of the block system of representation, which eliminates overlapping by making one agent solely responsible for each block of streets; that the improvement has been effected while maintaining a good standard of remuneration for the collectors is shown by the figures given in Appendix D of the Report. Under the lead of the *Prudential*, the proprietary companies in

general have made substantial reductions in cost ratios, while the collecting societies have improved but little—even the large societies operating on a country-wide basis—but the resulting competitive advantage is largely negated by dividends to shareholders and income-tax. Nevertheless, the *Prudential* and *Refuge*, with combined expense, dividend and income-tax ratios of 32.9 per cent and 35.7 per cent respectively, both possess a marked superiority over the most efficient of the collecting societies, the *Royal Liver*, with a cost ratio of 39.3 per cent. The *Co-operative*, with a cost ratio of 33.1 per cent, is in a category on its own, deriving its income from members of the Co-operative Movement, and enjoying special facilities for this purpose.

It might have been expected that these variations in working costs, with resultant differences in the benefits available for policyholders, would have led to a concentration of business in the hands of the more efficient offices; but as the third column of the table shows, this has not been the case. On the contrary, some of the offices with very high expenses have made rapid headway, and the *Prudential*, whose business has grown 2.8 times, has actually lost ground in relation to the business as a whole, which has grown 3.3 times. To some extent high rates of growth and high expense ratios may be linked as cause and effect, because of the heavy outlays on new business expenses. But this cannot be a full explanation of the apparent breakdown in the working of competitive forces. One important consideration, often emphasised by the offices themselves, is that life assurance is "sold and not bought." The prospective purchaser of life assurance does not, in general, make careful comparisons between offices before making his decision; had this been otherwise, the *Prudential*—which gives better terms than almost any other office in respect of forfeiture, does not demand an absolute warranty of health in proposals for life-of-another policies, as most of the other offices do, and alone of the large companies' guarantees to its policyholders, by its articles of association, a share of profits—would have tended to drive its rivals from the field. It is one of the ironies of the present situation that an office like the *Prudential*, which has made a real effort to meet criticisms of overselling in the Parmoor and Cohen reports by converting the basis of remuneration of its agents to fixed salaries, independent of the volume of new business procured, should thereby have yielded ground to its competitors which have continued the old methods.

But the crux of the matter goes rather deeper. By passing

INDUSTRIAL ASSURANCE IN 1912-17 AND 1937-40

Office (a)	Type	Annual Premium Income			Expenses of Management				Dividends to Shareholders, etc.				Income Tax	
		£000		Rate of Increase (2) (1)	£000		% of Premiums		£000		% of Premiums		Mean of 1937-40	% of Premiums
		Mean of 1912-17	Mean of 1937-40		Mean of 1912-17	Mean of 1937-40	Mean of 1912-17	Mean of 1937-40	Mean of 1912-17	Mean of 1937-40	Mean of 1912-17	Mean of 1937-40		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Prudential	Proprietary Co.	8,437	23,600	2.8	3,303	6,049	39.1	25.6	448	813	5.3	3.5	908	3.8
Pearl	"	2,631	9,190	3.5	1,095	2,762	41.6	30.1	56	532	2.1	5.8	296	3.2
Britannic	"	1,082	4,031	3.7	438	1,319	40.4	32.7	21	223	2.0	5.5	135	3.4
Co-operative	(b)	14	5,340	373.4	7	1,768	49.7	33.1	...	64	...	...	...	...
Refuge	Proprietary Co.	2,258	6,016	2.7	1,017	2,006	45.0	33.3	34	64	1.5	1.1	80	1.3
Salvation Army	"	313	981	3.1	141	337	45.1	34.4	...	50	...	...	...	...
Blackburn Philanthropic	"	101	616	6.1	43	231	42.9	37.6	...	25	...	...	...	...
Pioneer Life	"	78	128	1.6	42	49	53.5	38.3	...	4	1.5	3.5	4	3.0
Royal Liver	Collecting Socy.	1,147	4,220	3.7	453	1,659	39.5	39.3	...	...	...	...	...	...
London & Manchester	Proprietary Co.	697	1,913	2.7	295	761	42.4	39.8	...	92	0.5	4.8	65	3.4
Liverpool Victoria	Collecting Socy.	1,634	6,889	4.2	719	2,767	44.0	40.2	...	...	...	...	...	...
Royal London Mutual	Mutual Co.	1,405	5,221	3.7	601	2,106	42.8	40.3	...	...	...	...	...	...
Scottish Legal	Collecting Socy.	429	1,485	3.5	177	590	41.1	40.4	...	...	...	...	...	...
Wesleyan & General	(c)	780	1,443	1.8	356	584	45.6	40.5	...	...	...	...	...	...
Royal Co-operative	Collecting Socy.	89	405	4.5	46	171	52.2	42.3	...	...	...	...	...	...
Totals of Above 15 Offices...	...	21,097	71,477	3.4	8,733	23,170	41.4	32.4	563	1,804	2.7	2.5	1,534	2.3
Other Offices	...	866	1,518	1.8	384	639	44.3	42.1	1	...	...	...	1	2.1
TOTALS	...	21,963	72,995	3.3	9,117	23,809	41.5	32.6	564	1,804	2.6	2.5	1,535	2.1

NOTES.—(a) The offices are arranged in order of their expense ratios in 1937-40—column 7 of table.
(b) The Co-operative is a company registered, not under the Companies Acts, but under the Industrial and Provident Societies Acts, and has a small paid-up capital on which is based a limited dividend. This dividend does not come from the Industrial Branch.
(c) The Wesleyan and General distributes surpluses in the Industrial Branch not only among industrial policy-holders, but in part also among the holders of Ordinary Branch policies participating in profits; this increases the expenses in 1937-40 from 40.5 per cent. to 42.0 per cent.

on to consumers the benefit of their reduced costs in the indirect form of higher bonuses and improved policy conditions, instead of by a direct reduction in rates of premiums, the high-efficiency offices have failed to press home their competitive advantage. As the Cohen Committee observed, "it is doubtful whether the expectation of bonus makes any strong appeal to the classes from which industrial policyholders are drawn." Bonuses take various forms, and comparisons between the offices are not easy; on the other hand, even the least initiated can understand differences in the amount of contractual sum assured obtainable for each penny of premium. The Cohen Report contained a clear recommendation to the *Prudential* to increase the contractual sums assured even at the cost of a reduction in bonuses, and had this advice been followed the business would surely be in a healthier state now. A competitive system cannot be expected to function unless the rules of the game are adhered to, and lower costs reflected in lower prices to consumers.

Admittedly, such a rate-reduction policy could not have been adopted without risks for the shareholders. But the taking of risk is the essence of private enterprise, and the only justification for the making of profits. Life assurance can be conducted in one of two ways, either on a without-profits or a with-profits basis. In the former case it is a highly hazardous undertaking; it is a long-term contract which cannot be terminated by the office, and in which the factors entering into the premium calculation—rates of mortality, interest return, income tax and expenses—are subject to wide fluctuations in the course of years. In such circumstances the shareholders are fully entitled to all the profits, for there will also be periods of loss; almost certainly the ordinary life offices are transacting their business at a loss at the present time. But if the business is undertaken on with-profits lines, practically the whole of the risk is borne by the policyholders, as is shown by the suspension or severe curtailment of bonuses during the war, and this being so the policyholders are entitled to nearly all the profits when profits are made. This is recognised by the ordinary proprietary offices in allocating from the profits on participating contracts only very small sums to shareholders. The industrial offices, on the other hand, have wanted the best of both worlds. They have offered their policyholders no choice between with- and without-profits policies; they have organised their business on a basis of "riskless enterprise," and yet have taken from it large sums as profits for shareholders. Such a state of affairs is fundamentally unsound.

In the light of this record, it would not have been easy for private enterprise to answer the case for transfer of the business to a State Board, had the Government felt able to undertake the complicated problem involved. It seems reasonable to assume that in the hands of a monopoly, and organised on the block system, the working costs over the whole field could be reduced to the management expense ratio of the *Prudential*, and probably lower, even allowing for the fact that the *Prudential* has a higher proportion of monthly business than the other offices. Moreover, there is little justification for policyholders being saddled with the cost of dividends to shareholders, since the business is conducted on lines carrying a minimum of risk. Nationalisation would tend to reduce overselling and improve the lapse

ratio, but too much should not be made of this; experience under a State scheme in Japan shows very high lapse ratios. The lapse problem can best be overcome by improving the underlying economic stability of the worker, and it is to be hoped that the main provisions of the Beveridge Plan will help in this direction.

If there is a case for nationalisation, there are at least some disadvantages in travelling that road. The working-class public, among whom the practice of industrial assurance is widespread, are not likely to appreciate the elimination of the free choice of insurer; in other businesses wartime experience of being tied to one source of supply has not been happy, and it is difficult to believe that under a system of monopoly the collectors would have the same incentive to please their clientele as at present. It is true, as the Beveridge Report points out, that insurance is a long-term contract, and having once made the purchase, the source of supply for that purchase cannot be changed; against this it must be remembered that it is the practice of the working classes to buy their life assurance in small quantities, increasing it as circumstances permit, and that, in any case, the mere existence of a competitor is a spur to effort. Another point is that a State Board would necessarily follow a very restricted investment policy, with consequent adverse effects on the rate of interest earned on policyholders' funds, and on the capital market generally. There is also to be considered the effect which nationalisation would have on the business of the offices in other departments, including, in the case of the *Prudential* and *Pearl*, the not unimportant overseas accounts. Finally, compensation to shareholders and to agents owning "books" would involve the Exchequer in substantial outlay.

Nevertheless, eventual nationalisation seems a certainty unless the industry can put its house in order in the interval which must elapse before it again becomes the subject of official enquiry. An indispensable condition of progress is a programme of rationalisation into a small number of efficient units. The difficulties are formidable—not least among them the problem of book interest—but should not be insuperable if tackled in a spirit of determination. A possible solution might be a consolidation of the offices working for private profit (excluding the *Prudential*) on the one hand, and of the collecting societies and mutual companies—probably more firmly wedded to the book interest system, and less capable of divorcing themselves from it, than the proprietary companies—on the other, forming, with the *Prudential*, three groups of approximately equal size. This would reduce selling competition to reasonable proportions, and make possible substantial economies; the released staff would almost certainly be needed by the Government for the administration of its social security plan. The *Prudential*, which has already done much to bring industrial assurance up to the standard of ordinary assurance, could best contribute to the general reorganisation by introducing straight without-profits policies as an alternative to participating contracts, a measure which the other groups would be obliged by competition to follow. Undoubtedly without-profits assurances would be of greater value to most members of the working-classes than policies carrying hopes of bonus which may or may not materialise, and the substitution in large measure of price-competition for sales-competition could not but have a healthy influence over the business as a whole.

Finance and Banking

Discount Market Consolidation

Considerable interest has been evoked in the discount market this week by the publication of Cater Brightwen's balance-sheet as on April 30th last. The balance-sheet total of this private firm has risen over the year from £36,694,000 to £46,590,000, and is now well within striking distance of that of Alexanders Discount, the smallest of the three discount companies. The time has definitely arrived when reference to the big units in the discount market will have to apply to the "big four" and no longer to the "big three." The main expansion in the firm's assets has been in bills, which have risen from £25,304,000 to £32,983,000. The accompanying increase from £3,686,000 to £4,473,000 in the liability for bills rediscounted indicates that this firm has handled a larger volume of commercial paper. The investments have risen from £10,422,000 to £12,372,000, and in the balance sheet they are shown in exemplary detail.

The position in the money market has shown little change this week, though the superabundance of credit which was in evidence last week has disappeared. The market had again an exceptional amount of Treasury bills to take up, receiving an allotment of 36 per cent on the £90 million of bills that were offered for tender last week. The banks have been fair buyers, but not on the scale that would seem suggested by the exceptionally low level to which their bill portfolios had fallen last month. The banks plead the heaviness of their net Treasury deposit payments as the main excuse for their rather hesitant purchases of bills. This week they had to pay over £50 million against nominal TDR maturities of £30 million and slightly smaller effective maturities. The Bank return reflects the slightly more usable credit conditions experienced this week in a fall of £22,004,000 in bankers' deposits. To the extent of £17 million this is due to the building up of public

deposits from the subnormal level of £3,733,000 to which they had fallen in the previous week. The credit base has also been contracted by a fall of £4,756,000 in Other Securities.

Clearing Banks in April

The April clearing banks' returns reveal little net change in the volume of credit outstanding. Deposits are up by £3,183,000 on the month, but as cheques in course of collection and transit items show a concurrent drop of £18,191,000, it follows that the true expansion of credit over the month has been nearly seven times greater than the diminutive movement shown by the rise in deposits. Changes in assets are of considerable magnitude. The most important, from the banks' point of view, is the further drop of £20,235,000 in loans and advances. At £756,390,000, this item, the most remunerative of the banks' assets, is £254 million lower than in the first month of the war—since when total deposits have risen by £1,303 million. The latest drop in advances is accompanied by a rise of

(In £ millions)						
	Apr. 1942	Dec. 1942	Jan. 1943	Feb. 1943	Mar. 1943	Apr. 1943
Capital and reserves	140.3	140.9	140.9	140.9	140.9	140.9
Acceptances, etc.	97.8	93.1	94.3	94.9	92.0	92.6
Notes in circulation	1.5	1.6	1.5	1.6	1.6	1.6
Current, deposit and other accounts	3,081.5	3,628.6	3,576.6	3,524.9	3,541.9	3,545.1
Total liabilities	3,321.1	3,864.2	3,813.3	3,762.3	3,776.4	3,780.2
Cash	318.8	390.4	378.9	372.8	376.5	374.9
Cheques, balances, and items in transit	124.2	186.2	124.7	124.1	137.2	119.0
Money at call	136.0	142.2	145.8	153.7	139.3	142.3
Discounts	258.1	197.5	197.4	148.0	172.5	128.4
Treasury deposit receipts	449.5	895.5	935.0	932.5	883.5	963.5
Investments	1,048.4	1,120.2	1,112.2	1,108.5	1,132.4	1,136.8
Loans and Advances	821.2	772.8	758.7	761.5	776.6	756.4
Investments in affiliated banks	23.8	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	141.1	135.5	136.7	137.3	134.5	135.0
Total assets	3,321.1	3,864.2	3,813.3	3,762.3	3,776.4	3,780.2

£4,361,000 in investments, no doubt representing the banks' continued participation in local Wings for Victory weeks. There have been exceptional movements in floating assets, a rise of £80 million in TDR's being accompanied by a fall of £44,053,000 in bills discounted. This last movement may be wholly attributed to the smaller purchases of Treasury bills and has reduced the bill portfolio to the lowest figure since February, 1942. The bill famine indicated by this exceptional drop in discounts derives largely from the increased competition for bills made available through the weekly tenders. The position is in process of being remedied by the increase to £90 million in the weekly amounts of Treasury bills offered through the tender.

Banking in India

The report of the National Bank of India for the year 1942 provides an interesting picture of the banking situation in that country. Since the bank had only two offices in territory now occupied by the enemy the changes in its balance sheet figures are not so much affected by this factor as is the case with other Eastern exchange banks. Some reflection of the measure of inflation in India is provided by the rise in deposits from £39,696,000 to £48,513,000, but this is only a faint echo of the concurrent expansion in the note circulation which over the year 1942 rose by 80 per cent. This exceptional increase in the circulation, and the corresponding stimulus which has been given to hoarding of precious metals and speculation in commodities, lend particular interest to the recent growth of indigenous banking institutions in India. The chairman of the National Bank of India in his statement accompanying the report points out that the establishment of a considerable number of indigenous banks has been an outstanding feature of the past few months. He adds that some of the banks, judged by the amount of capital with which they have been launched, are likely to become important institutions. The increase in resources at the disposal of the National Bank of India has, unfortunately, not been accompanied by a corresponding movement in the demand for commercial banking facilities. Loans and commercial discounts have fallen over the year from

£9,053,000 to £6,190,000, while there have been considerable increases in the holdings of cash, Government securities and Treasury bills. These changes are likely to prove the pattern to which most Eastern banking reports will conform.

The Dollar in Switzerland

Details of the restrictions which apply to dealings in US dollars by the Swiss National Bank are given in the report of that institution, covering operations for the year 1942. These restrictions arise from the immobilisation of Swiss, together with all Continental, assets in the United States. Switzerland has made repeated efforts to obtain greater liberty in its dollar payments, but the position has if anything become increasingly difficult. The National Bank has, in consequence, had to apply fairly rigid restrictions to the amount of dollars it has been prepared to buy from the local exchange market. It has restricted such purchases to the proceeds of exports and tourist trade, insurance remittances, diplomatic payments, International Red Cross transactions and sums arising out of the dollar investments of individuals whose sole source of income is represented by such investments. The National Bank refuses all US dollars representing capital transfers or investment income other than the special case already mentioned. Even with these restrictions, the dollar income of the National Bank has greatly exceeded its dollar payments, and the surplus holdings have in the main been converted into gold which remains earmarked on Swiss account in the United States. The National Bank has found it increasingly difficult to utilise its dollars in order to finance trade with other countries. This is because the external trade of Switzerland is, perforce, conducted largely with Axis and occupied countries and financed through the clearing. In 1938, only one-third of Switzerland's external trade passed through the clearing. In 1942, that proportion had risen to three-quarters. As the dollar can no longer be used as freely as before as a means of effecting international payments, gold has had to revert to its traditional role in the settlement of Swiss balances of payments. The report of the National Bank states that gold transactions between that institution and other central banks have assumed considerable proportions during the past year, Switzerland being obliged to pay in gold for merchandise imported from other countries and for transport charges. Yet, the Swiss gold holding rose during 1942 from Frs 2,700 million to Frs 3,550 million. The sales of gold made from domestically held metal to finance trade with Axis and occupied Europe have been more than made good by the fresh earmarkings of gold in the United States—an interesting instance of US gold indirectly feeding the reserves of the enemy.

Scottish Bank Notes

The views of certain Scottish bankers—on the desirability of their institutions coming into line with the Bank of England in discontinuing the issue of notes of £10 and over—which formed the basis of the note in *The Economist* of last week—were apparently overborne at a meeting of the Scottish banks held towards the end of that week. The decision then reached was to continue the issue of notes as heretofore and thus disregard the lead given by the Bank of England in this matter. The reasons advanced for this decision are many and not altogether

BUY

3%

SAVINGS BONDS 1960-70

POST OFFICE & TRUSTEE SAVINGS BANK ISSUE

• Purchasable in multiples of £5. Interest paid half-yearly

• Income Tax not deducted at source. May be sold quickly through your Savings Bank.

Issued by the National Savings Committee, London.

reconcilable. Two of them which clash somewhat are (1) that the amount of Scottish bank notes of £10 and over is so small as to be negligible; and (2) that the banks have not the paper that would be required to reissue in notes of smaller denominations the larger notes now outstanding. A more convincing argument is that the discontinuance of the issue of larger notes would seriously inconvenience the banks' customers. The closing of country branches in Scotland has greatly increased the use of currency for the transaction of business in districts now deprived of much of their previous banking facilities. This has correspondingly increased the normal and justifiable demand for notes

of larger denominations. They have come to play an unusually important role in cattle dealing and other transactions at local fairs and markets and their disappearance would undoubtedly be an inconvenience to the traders concerned. This argument certainly appears to outweigh any counterclaim that could be made regarding the nefarious work that might conceivably be done by the larger Scottish bank notes in helping infringements of official controls. The position will, however, require careful watching and if there is any indication of abnormal demand for Scottish notes of larger denominations the question will obviously have to be reconsidered.

Investment

Licensing the Accountant

At the annual meeting of the Institute of Chartered Accountants last week, the president, Mr C. J. G. Parmour, disclosed the outcome of the conversations which have been proceeding between the Institute, the Society, the Association of Certified and Corporate Accountants and the Scottish bodies of Chartered Accountants. It is, as had been suspected, a scheme to obtain Parliamentary sanction for the licensing of accountants, and it is a fair guess that only members of these bodies will be eligible for licence. The connotation of the word accountant is not clear, but it is presumably not synonymous with auditor. No details of the scheme are disclosed, but it is not intended that the existing groups shall lose their identity. *The Economist* has suggested that the accountants should put internal reconstruction ahead of application for increased official recognition. It is possible, however, that, with examples of Government conferred privilege on all sides, it is asking too much that they should defer asking for protection until the difficulties of reform have been faced. But, if that be so, Parliament must ensure that in return for the grant of privilege, the public receives full service, and that the only bars upon entry into the profession shall be those arising from the need for its members to be men of education and character.

*

As at present constituted, the profession contains members doing four different types of job calling for somewhat different qualities. Pending clarification of the scheme, only the requirements of the auditor can usefully be discussed. He is, in law, appointed by the shareholder to protect his interests. In fact, the appointment lies with the board of directors, and the powers of the auditor to influence the form of published accounts, except by moral suasion, are negligible so long as the minimum requirements of the letter of the law are obeyed. Apart from the question of what should appear in published accounts, it is eminently desirable that, while the obligation continues to rest on the directors, the auditor should be charged with the duty of seeing that, within the limits prescribed, nothing is concealed which in the public interest should be known. That is to say he becomes a servant of the public, not of any sectional interest. This will be a very responsible duty, calling for considerable qualities, and, while many accountants possess them, it is clear that the existing systems of recruitment and training must be altered. For the auditor—and indeed for the industrial accountant—a training of university standing, with post-graduate specialisation, ought to be concerted between the authorities and the accountant bodies. Staff must be provided in part by the latter and the whole business of training and examining handed over to independent educational authorities. Independence is essential to prevent undue limitation on entry into the profession. This, coupled with a system of personal interview, would provide a body of men and women to whom the increased duties could be entrusted with some confidence. Appointment of auditors might be left to a joint committee of the profession and the type of shareholders' protection panel, advocated on page 152 of *The Economist* of January 30th. But to secure the necessary numbers, and to prevent the profession becoming a closed shop, it would be necessary to dispense with the existing machinery of high premia and limitation on the numbers of trainees. Some such system, coupled with much more drastic requirements as to publication, would go far to remove the basis for

complaints against the system of privately owned joint stock companies. There are not wanting men in the movement who have advocated the educational reforms, among them Mr F. R. M. de Paula, who has a long experience in just such training for undergraduates.

* * *

British Oxygen Capital

It seems from the statement of the chairman, Mr S. J. L. Hardie, that the drain upon liquid resources of British Oxygen, mentioned in *The Economist* of May 1st, has reached a point where the consideration of obtaining new capital is necessary. There is no actual mention of a new issue, and in a different part of his speech Mr Hardie referred to Government assistance; but it seems clear that an application to raise new capital is to be made. Some light on the probable level of real earnings is cast by the statement that, since the pre-war standard years, the company has spent over £2,500,000 in capital outlays, with corresponding expenditure by subsidiaries in Australia, Africa and India. It is also stated that the depreciation of the parent company last year amounted to £418,267. This was on a new and higher basis, but it is well over 40 per cent of the disclosed profit, which is net of all charges but fees, staff pensions and income-tax. The accounts give virtually no information as to the value of either fixed assets or investments in subsidiaries, but it was made clear that a considerable proportion of plant will be either obsolete, or redundant, after the war. From the standpoint of the shareholder, this has, presumably, already been replaced out of depreciation and other reserves, and what is now contemplated is a further expansion in physical assets. There is, ignoring the wartime boom, a secular upward trend in demand for most of the company's products, and the really important question is whether the difference between the peak of wartime demand and that of peace will be fully covered by the scrapping of plant, obsolete or obsolescent, at the close of hostilities. There is no means of determining this, and Mr Hardie threw no light on the matter.

* * *

Sydney Conversion

The current year is singularly free from obligatory redemptions among corporation stocks, Home and Dominion, and even from new optional redemptions. The City of Sydney has, however, £1,000,000 of 5 per cent debentures falling due on June 1st. It is offering holders the option to convert into an equal amount of a 4 per cent stock, 1961-63, at 98 per cent. With a flat yield of £4 1s. 8d. and a return, including profit on redemption at the final date of around £4 3s. per cent, the new stock may possibly be considered reasonably attractive, although it yields only about ½ point more than can be obtained on the most recently issued Commonwealth stock. Any stock not converted will be paid off at the due date, and there is no suggestion that there is to be any offer for cash. The list for conversions will close on Thursday, May 27th. The only other compulsory redemption this year in the Dominion Corporation list appears to be some £345,000 Auckland Electric Power Board 5½ per cent debentures, repayable August 1st. There is, however, £10½ millions of 4 per cent New Zealand stock, 1943-63, which is repayable at any time on three months' notice, and a small compulsory repayment of Newfoundland for July 1st.

Company Notes

ICI Group Earnings

The preliminary statement of ICI showed a marked recovery in the profits of the parent company, after the recession of 1941, and the highest percentage earnings on the ordinary since 1939. The full accounts make it possible to fill out this picture. There is a rise in total income of a further £2,225,000, of which virtually the whole is accounted for by manufacturing and trading profits of the group, there being a small fall in revenue from associates and small rises in the amount received on other investments and on property. The consolidated income statements for the past three years are summarised in the following table:—

	Years to December 31st,		
	1940	1941	1942
Consolidated Income:—			
Trading Profits	17,883,456	18,403,870	20,616,996
Total Income	19,482,275	19,956,002	22,181,524
Debt Interest Net	184,350	178,514	192,733
Directors' Remuneration	67,877	66,610	69,169
Pensions Contributions	1,317,535	1,346,437	1,462,712
Taxation	7,385,474	8,761,554	9,720,172
Obsolescence and Depn.	3,070,414	3,045,116	3,617,399
Expenditure Written Off	1,880,724	314,312	246,134
Net Consolidated Income	6,575,901	6,243,459	6,873,205
Less:—			
Outside Interests and Undistributed Profits	337,460	261,353	373,346
Add Back:—			
Obsolescence§	2,180,092	2,180,106	2,680,106
ICI Profits	8,418,533	8,162,212	9,179,965

§ Includes Workmen's Pensions. For 1942 this figure was given only in the preliminary statement. ‡ Includes ARP £466,031.

It will be seen that almost £1,000,000 of the increase in total revenue is absorbed by higher taxation, which is now within sight of the £10 million mark, while obsolescence on an increased scale calls for a further £570,000. Lord McGowan, in his accompanying remarks, discloses that provision is being made out of revenue for a heavy bill for deferred maintenance which is additional to these appropriations. It is interesting to learn that, in addition to the efforts of overseas subsidiaries and associates, the products of the group have been exported in considerable quantities. Capital expenditure on ARP has again been charged to capital and depreciation provided, while war damage has been charged against war contingencies reserve, but maintenance of ARP and war risk premiums on stock have been deducted before reaching profits.

* * *

Increased Liquid Assets

The consolidated balance-sheet shows that the surplus, reduced in 1941 by almost £300,000, was last year increased by more than twice as much. At balance-sheet valuation, capital extensions were rather less than the net addition of £1,420,000 to obsolescence reserves, so that the net value of fixed assets is slightly down. Net liquid assets show an increase of the order of £1,000,000, but even so are still well below the 1940 level. Incidentally, there is an improvement in the statement of debtors and creditors, although a minor one. In the past the liability for final dividends has been included gross, while, it would appear, the provision for tax has also been included gross. This has meant that debtors included the amount recoverable in tax from the shareholder, although, of course, neither the payment out, nor the receipt, in fact occurred. In the accounts now presented, and summarised in the table in the next column, both items are shown net of tax on dividends for both years. The account covers 96 subsidiaries against 105 for 1941. The increase in current assets occurred mainly in holdings of Government securities and in stock-in-trade. It is regrettable that tax certificates are not stated separately and that no market value is given for gilt-edged holdings this year. It is gratifying to learn that ICI is considering a marked postwar expansion of the scientific staff, laboratory accommodation, experimental engineering shops and all branches of research work. It is high time. Unfortunately, some other aspects of Lord McGowan's remarks, dealt with on page 615, are less satisfactory.

II. IMPERIAL CHEMICAL INDUSTRIES AND SUBSIDIARIES

Consolidated Balance Sheet

	December 31st, 1941	1942
Capital Employed:—		
7% Pref. Shares	23,801,482	23,801,482
Ord. Shares	50,401,861	50,401,861
Debs. and Loans (Subsid. Cos.)	4,743,939	4,679,781
Outside Interests in Subsid. Cos.	3,677,075	3,648,223
Surplus	15,915,737	16,621,616
Total	98,540,094	99,152,963
Fixed Assets:—		
Land, Buildings, Plant, etc.	63,492,278	64,699,995
Patents, Rights, Goodwill, etc.*	15,465,335	15,436,638
	78,957,613	80,136,633
Less Obsolescence and Depreciation		
Reserves	8,669,131	10,087,262
Add Interests in Associated Cos.	8,290,116	8,245,966
Total	78,578,598	78,295,337
Net Current Assets:—		
Cash and Bills	6,501,276	6,909,201
British Government Securities	1,772,481	8,170,480
Marketable Investments	1,616,502	
Unquoted Investments	9,545	1,540,800
Stocks	26,303,070	30,353,659
Debtors	18,250,872	16,198,751
	54,453,746	63,172,891
Less Current Liabilities and Provisions		
	34,492,250	42,315,265
Total	19,961,496	20,857,626
Total Fixed and Net Current Assets	98,540,094	99,152,963

* Excess of share considerations over net tangible assets of Subsidiary Cos.

* * *

Stewarts and Lloyds Progress

Trading profits of Stewarts and Lloyds after all tax and war damage insurance increased in 1942 from £1,752,970 to £1,784,315. In addition, £265,494 against nil was received from subsidiaries out of profits earned in former years, although £85,754 was brought back from reserve in 1941. The larger part of the rise in receipts is taken in increased depreciation, for which the ordinary appropriation is raised from £581,279 to £630,183, while the reserve for special depreciation receives £250,000 against £100,000. After meeting the preference dividends, equity earnings are slightly higher at £784,256 compared with £699,727 in 1941, representing 18.3, against 16.6 per cent on the deferred shares, which again receive 12½ per cent. The previous year's transfer of £250,000 to contingencies reserve is repeated, and the carry forward raised some £200 to £193,081. The parent company's balance-sheet (there is unfortunately no consolidated statement) shows stocks some £375,000 larger at £5,158,827, while cash is more than doubled at £772,725. Last year's bank loan of £1,000,000 has been repaid, the present figure of £200,000 representing a liability, taken over from a subsidiary, which is not repayable until end 1946. A new holding of £1,000,000 of tax reserve certificates, and a reduction of over £320,000 to £4,897,031 in tax and contingency reserves help raise net liquid assets to £2,570,237 against net liabilities of £140,049 in 1941. The actual explanation of this improvement lies in the sharp change in the parent's position vis-à-vis its subsidiaries. Net loans to them in 1941 of £1,219,518 have been replaced during 1942 by a net borrowing from them of £940,490, although advances by the parent on capital account are nearly £50,000 greater at £130,000. Shares in subsidiaries have been written down some £396,000 to £4,852,768, while other shares and advances on capital account to allied and other companies stand at £1,001,137 against £847,539.

COULD YOU ADDRESS

a public meeting to-night without notes?

RAPIDISM will develop for you

(1) mental alertness. (2) personal courage.

Write now for free booklet to:
THE RAPIDISM INSTITUTE,
222, TUITION HOUSE, London, S.W.19.

Industry and Trade

Coal Utilisation

The Parliamentary and Scientific Committee on Coal Utilisation Research, under the chairmanship of Lord Samuel, has produced a comprehensive and far-reaching programme for the scientific development of Britain's coal resources. The present decline in the productivity of the industry, and the falling off of exports over the last 30 years, do not augur a happy future for mining. In 1913, Britain exported 73.4 million tons of coal and imported 487 million gallons of liquid fuel; by 1938 35.9 million tons of coal were exported and 2,640 million gallons of oil were imported. The future of the coal export trade is largely a matter for post-war international agreement; but one remedy which can and should be introduced nationally, is the more efficient organisation of the industry and the efficient utilisation of the product. The Parliamentary Committee states that, at present, only 30 per cent of the potential energy of coal is turned to useful account; 70 per cent is virtually wasted. Far too little attention is paid to research in this country. About £200,000 is spent annually by the British Coal Utilisation Research Association, with, perhaps, an equal amount spent within the industry, while less than 1 per cent of the available scientists are engaged on coal utilisation problems. This compares with at least £1,000,000 a year spent on research by the electrical industry and over £6,000,000 by the American petroleum industry. The Committee considers that fertilisers for agriculture, dyestuffs, chemicals, plastics, synthetic rubber, soaps, lubricants, liquid fuels and high octane spirit for aviation could all be produced from coal, while on the domestic side there could be enormous developments which would lighten the housewife's burden and release many women for employment. It recommends that the national survey of coal should be extended to cover all sources of energy and carbon compounds, and it estimates that a research programme, designed to raise the efficiency of coal utilisation to 45 per cent (instead of the present 30 per cent) in fifteen years' time would cost several million pounds a year, but at the end of fifteen years would result in an annual saving of some £100 million, and, adding the value of expected new industries, might well reach £200 million a year. This estimate more than justifies the Committee's contention that "coal research is an investment which will repay this country handsomely." The Conference on the utilisation of steam, heat and power, which met in London this week, as well as providing a stimulus for war-time economy, may provide the starting-point of a national programme for the more efficient use of coal. It is in new techniques that old industries must find their economic future.

The Progress of Concentration

The President of the Board of Trade, reviewing the progress of concentration of industry at a press conference this week, stated that the process is now virtually completed and that in all about seventy branches of industry have been concentrated. By March, 1943, two years after the scheme was begun by Mr Oliver Lyttelton, excluding the clothing industry where concentration is still proceeding, 5,300 designation certificates had been issued, 2,800 establishments closed, 235,000 workers set free for the Services or for work in other more vital industries—thus directly or indirectly enabling the further release of manpower—and 61 million square feet of factory space had been made available for other forms of production or for storage. The greater part of the total savings effected—about 75 per cent—is accounted for by five industries: cloth, hosiery, boot and shoe, carpets and pottery, and about 80 per cent of the results were achieved between May, 1941, and March, 1942, since when the rate of concentration has been greatly slowed down. The only two industries in which further curtailments can be looked for, and from which considerable numbers of workers can still be released, are clothing and printing. In clothing so far 529 designation certificates have been issued and 269 firms have been closed down. This represents only a small fraction of the total number of firms, between 20,000 and 30,000, in the industry, which presents special difficulties on account of the great diversity in size of its units. Two thousand designated

firms account for 70 per cent of the output and are given 75 per cent of all utility cloth; incidentally, the proportion of utility to non-utility cloth is in the ratio of 80 per cent. The printing industry is comparatively easy to handle, being more manageable in size, and the industry's Joint Industrial Council is facilitating the task. Mr Dalton expressed his satisfaction at the way in which Mr Dalton's arrangements for compensation have operated, for the arrangement on a voluntary mutual basis, but in some cases the most part, through a central compensation fund. The principle adopted during the war has been one of the general pension for loss of business for any reason of no direct enemy action, and, as *The Economist* has rather tentatively argued, the concentration of industry might, consistently achieved even more rapidly if the Government had been prepared to grant compensation to financially hard-hit war casualties.

Training for Engineers

The Institution of Electrical Engineers have issued a valuable report on "Education and Training for Engineers." The engineering industry has been greatly expanded since the war, and if Britain is to maintain its high standards in the war, in competition with countries whose engineering industries have been similarly developed to a wartime footing, it is essential in the national interest to secure the proper recruitment and training of personnel . . . not only for higher professional ranks, but for every grade of worker. The present estimated annual intake of learners in the apprenticeship (based on the Ministry of Labour's 1942 figure, and assuming a 25 per cent increase by 1942) is 21,000; the five-year apprenticeship is in the order of 21,000; the percentage composition of this figure is 50.7 from elementary schools, 20.8 from junior technical schools, 25.3 per cent from secondary schools, and 3.2 from universities. High training facilities have lagged behind requirements, and there are no universally recognised standards of craftsmanship. The Institution's scheme contains a number of sound recommendations for making good the deficiencies. On general lines, it advocates raising the school; the broadening the basis of education, and introducing equal opportunity, and maintaining closer liaison between education, university and employment authorities, and representatives of industry. Among its specific proposals suggests that more care should be exercised in selecting entrants to craft training courses; that all craft apprentices should undergo a probationary period to test their suitability with transfer to other employment if necessary; that craftsman certificate should be introduced; and that responsibility for subsequent practical training should be accepted by the employer. It advocates a great extension of part-time day courses, both general and technical. For university trainees, it recommends an extension of state bursaries and more practical experience in the workshops—the suggestion that university engineering students should spend one year in industry between school and college is particularly attractive. It places great emphasis on post-graduate work, research, and the training of teachers. Although number of questions are left unanswered, such as the relation of the scheme to general post-war reconstruction plan and to likely changes in industrial technique, and the financial basis of the plan, the report is broad and imaginative in conception, and makes a valuable contribution to the vital topic of training for industry.

Unemployment

The returns of persons registered at employment exchanges as unemployed used to be published monthly, and are now appearing at quarterly intervals. The latest figures relate to April 12th, when the total in all categories was 80,091, a decrease of 18,916 since January 18th. Detail figures for both dates are shown in the table on next page. The decreases were spread over all areas, except Wales, where a rise of 1,127 was recorded, and the Midlands, where the rise was 71. The fall in unemployment steady, and it is likely to continue, since the wartime demand for labour is never satisfied. The direction of childless married women into part-time work has been They will be directed into "unessential" work, as well

into actual war work, in order to release more mobile women for industry. The only classes of persons between the ages of 18 and 41 who cannot be directed into work by

REGISTERED UNEMPLOYMENT IN GREAT BRITAIN

	Wholly Unemployed	Temporarily Stopped	Persons Normally in Casual Employment
Jan. 18, 1943			
Men	48,055	1,283	2,083
Boys	10,279	8	1
Women	25,935	1,674	110
Girls	9,439	149	1
Total	93,708	3,114	2,195
Apr. 12, 1943			
Men	44,102	747	1,867
Boys	7,114	6	2
Women	18,872	519	122
Girls	6,681	40	19
Total	76,769	1,312	2,010

the Ministry of Labour are women with children under the age of 14 living with them, and men who are unfit for military service or who have been discharged from the Forces on medical grounds.

Bus Workers' Award

The application for an increase in wartime wages and for improved conditions of service for 200,000 passenger transport workers, employed by the London Passenger Transport Board, and by municipal authorities and bus companies in the provinces, has been rejected by the special Arbitration Tribunal, which has been considering the claim for the past month. The unions concerned were the Transport and General Workers' Union, the National Union of General and Municipal Workers and the National Union of Railwaymen, and the Tribunal was composed of Mr Craig Henderson, K.C. (Chairman), Professor Harold Laski, and Mr Humphrey Edmunds. The unions' claim, which was presented by Mr Harold Clay, was based on the increased wartime strain to which bus workers have been subjected and the greater intensity of their effort, rather than on the cost of living argument. With the need for maximum economy in petrol and tyres, bus services have been greatly curtailed in every area, but the volume of passengers carried has increased. This has resulted in increased loads and higher peak periods—and more peak periods—while the drivers have been employed on older vehicles which are not easy to service. Another grievance has been the cutting down of Sunday services with, consequently, heavier loads, while the regulations increasing the number of standing passengers have added to the strain. The principal demand, applicable to LPTB, municipalities and companies alike, was for the increase of Sunday duty pay; the claim also aimed to bring the provincial companies' conditions more into line with London and the municipal undertakings. The Tribunal rejected the claim on the ground that the case had not been made out and that there had been no substantial alterations in conditions since the war increases were granted a year ago. The unions are bound to accept the award, but it is likely to give rise to considerable dissatisfaction among the men.

Man-power in Coal

The main reasons for the decline in productivity in the coal industry are probably the increasing age composition

of the labour force, the shortage of young men, and the wastage of trained men. It is one of the war's worst defeats that, in spite of the Government's year-old plan, these factors have not been appreciably counter-balanced by the improvements in organisation and technique that are overdue in this antique and atomised industry. Between 1931 and 1941, the average age of miners rose from 34.6 to 37.1 years, while the most important age-group, 21-29, from the point of view of both immediate and future production, dropped from 208,000 to 109,100 during the same period; out of a total personnel of about 700,000, over a fifth are men of 51 years and over. In the four months from September, 1941, to January, 1942, the net loss of trained men was about 9,200. In view of these facts, and with the present deficiency of production and increased demands for coal as the United Nations turn to new offensives, it is more than ever necessary to increase both the intake of young men and the number of those engaged in coal-getting. The Minister of Labour allows certain young men between 18 and 25 to opt between mining and service in the Forces at the time of registration—since last autumn about 2,000 have voluntarily chosen coal-mining—and the Minister of Fuel has powers to direct surface workers underground. Up to March 31st, 1,897 surface workers had gone underground, 1,353 voluntarily, 544 after the issue of directions and 80 refusing to go, after losing their appeals at the Local Appeals Boards. There has been some misunderstanding about the Ministry's policy and some resentment within the industry that young men from other industries should not be given a choice between underground mining and the Forces, but the Ministry has stressed that this direction is in accordance with the policy of placing every available man where his contribution to the war effort will be greatest, and that the transfer of surface workers underground is parallel to the transfer of a man in a reserved occupation to more vital work in an arms factory. Coal production has, and must continue to have, first-class priority. The pit production committees, which may discuss the utilisation of man-power, are being urged to explain the reasons and the need for these measures to the young workers. The Government should at the same time be urged to say why the reorganisation of the industry has proved to be beyond its powers.

Retail Trade

The release of a new block of 20 clothing coupons on March 15th had the effect of raising the average daily value of retail sales above the level of the previous two months, during which it had fallen more than usual. The Bank of England index number of the average value of daily sales (1937 = 100), published in the *Board of Trade Journal* for May 8th, was 106 in March, compared with 96 in February. The apparel sales figure, at 96, was 26 points above that of February. Rises occurred in every department, including household goods, sales of which have been falling steadily for some months. The rise here may be accounted for, to a limited extent, by sales of utility furniture, the production of which is now well under way. Compared with March, 1942, turnover was lower in all categories, except fancy goods and miscellaneous items. The rises were respectively 6.2 per cent and 1.2 per cent, and were probably due to the increase in prices in these goods, which, for the most part, bore purchase tax at 66½ per cent. The largest decrease in turnover in the year was 33.8 per cent, in men's and boys' wear. The total fall in turnover was 5.7 per cent, the non-food total 9.5 per cent, and the fall in the food and perishables total, 2.5 per cent.

THE PROVIDENT ASSOCIATION OF LONDON, LIMITED

PROVIDENT HOUSE, 246 BISHOPSGATE, LONDON, E.C.2.

FOUNDED 1877. Authorised by Act of Parliament, Intituled Provident Association of London Act, 1910.

LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES. ATTRACTIVE ANNUITY RATES

TOTAL FUNDS

£15,782,775

W. W. BENHAM, Chairman.

Total Advances upon House Property to Policy-holders exceed

TWENTY-FOUR MILLIONS

J. G. SLEIGH, Managing Director.

COMPANY MEETINGS

NATIONAL BANK OF INDIA,
LIMITED

INCREASED BALANCE SHEET TOTALS

MR. R. LANGFORD JAMES'S STATEMENT

The ordinary general meeting of the shareholders of the National Bank of India, Limited, will be held, on the 25th instant, at 24 Bishopsgate, London, E.C.

The following is the statement by the chairman (Mr R. Langford James), circulated with the report and accounts for the year ended December 31, 1942:—

Again this year the proceedings at our annual general meeting will be limited to formal business.

In September last we suffered a grievous loss by the death of our colleague and general manager, Mr E. H. Lawrence, after a period of service with the bank exceeding 51 years. Those of the shareholders who were acquainted with Mr Lawrence, either personally or by reason of his reputation in the business world—and they must be many—will realise what an asset to our business were his outstanding capability and his universal popularity. The board's appreciation of his services to the bank have been placed on record, of course, but I take this opportunity of expressing again our sorrow at the loss of our friend. To fill his place as general manager we appointed Mr R. L. Hird, who has an intimate knowledge of the bank's affairs and all the attributes called for by the office. It goes without saying that he has our best wishes.

PROVISION FOR TAXATION AND NET
PROFIT BALANCE

Owing to war-time conditions the issue of our report and of the accounts is again delayed and consequently we deemed it expedient to make a final distribution from the profits by means of a second interim dividend, the rate for the year being 14 per cent., the same as on account of 1941. Although we have had to make materially increased provision for taxation the net amount of profit carried to the balance-sheet shows but little change from that of the previous year; actually it is slightly larger. Pension funds receive an allocation of £60,000 and contingency account £50,000, while we have placed £60,000 to premises account.

The totals on each side of the balance-sheet show an increase of £8,800,000 over those of the previous year. On the liabilities side there is an increase by that amount under the heading of current, fixed deposit and other accounts. The greater proportion of this increase is in our deposits in India which reflects the flow of money into the hands of the public there as a result of war expenditure. On the assets side, cash and money at call show an increase of £6,800,000, while British and Indian Government securities are higher by £2,100,000. Bills of exchange, which include Treasury bills, have increased by £3,000,000, the whole of this increase being in Treasury bills. Discounts and loans receivable are lower by £2,800,000, a reduction which has been inevitable under existing conditions. The ratio of the combined items of cash and Government securities to our current accounts, fixed deposits and other accounts is 76 per cent.

EFFECT OF FAR EASTERN WAR

When we met last year the Japanese threat to India was a seemingly imminent danger and maritime trade from that country's eastern seaboard was virtually at a standstill by reason of the activities of the Japanese fleet. Japan decided, however, to strike southward, rather than westward,

with the consequence that so far as India is concerned—but excluding Burma, of course—the war has receded rather than encroached, and the same may, I think, be said for Ceylon. Beyond therefore the natural dislocations arising from war-time conditions, such as local shortages of certain foodstuffs, the limitations imposed by Government regulations and the greatly increased amount of war work, the industries of India and Ceylon are working normally. Without exception I believe, these industries are experiencing a period of prosperity in lesser or greater degree, the outstanding example of the latter being the cotton mill industry in the west of India which appears to be earning profits much in excess of normal.

The Indian constitutional question still presents difficulties which hitherto have appeared insuperable. It is to be hoped that a solution, which should be possible, given good will on all sides, may yet be found.

AN OUTSTANDING FEATURE

An outstanding feature of the past few months in our particular sphere of activity has been the founding of a considerable number of indigenous banks in India, some of which, judged by the amount of capital embarked in them, are likely to become important institutions. From the point of view of internal—as opposed to exchange—banking, there should be much scope for expansion in India, and any sound development in that direction is to be welcomed.

So far as East Africa is concerned, the war has brought generally increased prosperity. Unfortunately the partial failure of the maize crop has been giving cause for some anxiety, this being the staple food of the country.

TRIBUTE TO STAFF

On behalf of the board I extend again our thanks to the staff for their services during the past year. We all know by now the degree of strain engendered by war conditions and, so far as the eastern staff is concerned, we realise fully the additional stress of working in a tropical climate with no present hope of the periodic amelioration afforded by furlough to their home land. It says much, both for them and for the staff in this country, that the standard of those services remains at its usual pitch of excellence and for this we are correspondingly grateful. Although we have released willingly for the fighting services every member of our staff who could be spared, there are indications in the East that further demands may be made upon us, notwithstanding that the increase in ill health among the staff is already causing us concern. In this connection it is to be hoped the essentiality of maintaining banking services, in the interests of the war effort, will be fully recognised by the authorities concerned.

WILLIAM BEARDMORE
AND COMPANY, LIMITED

ANNUAL GENERAL MEETING

The ordinary general meeting of William Beardmore and Company, Limited, was held, on the 13th instant, at the offices of the company in Glasgow.

Sir James Lithgow, Bt., M.C., D.L., chairman of the company, presided.

The secretary (Mr D. M. Cameron, C.A.) read the notice convening the meeting, and the report of the auditors was read by Mr H. MacRobert, C.A.

The chairman proposed the adoption of the report and accounts and the payment of the dividend on the ordinary stock was recommended.

The resolutions were carried unanimously.

The retiring directors (Sir James Lithgow, Bt., and Mr Ralph Freeman, M.Inst.C.E.) were re-elected, and the auditors, Messrs J. Wyllie Guild and Ballantine, reappointed.

A vote of thanks to the chairman concluded the proceedings.

JOHN SUMMERS AND SONS,
LIMITED

YEAR'S RESULTS

The annual general meeting of John Summers and Sons, Limited, was held, on the 7th instant, at the company's offices at Hawarden Bridge Steel Works, Shotton. Mr. Richard F. Summers, chairman, presided.

The proceedings were of a formal nature, covering the adoption of the report and accounts, the re-election of retiring directors and the reappointment of the auditors.

As forecast in the report circulated with the accounts, the chairman did not consider it advisable under present conditions to give any detailed review of the operations of the company, and accordingly did not circulate or deliver any speech to the shareholders. The following are extracts from the report:

The profit for the year and the appropriations recommended by the directors are summarised as follows:

	£	£	£
Balance of profit after providing for depreciation and taxation			458,191
Balance from last account			173,581
			631,772
Provision for war damage insurance premium		31,589	
Transfer to general reserve including £41,800 covering Debenture stock redeemed December 15, 1942		150,000	
Transfer to war contingencies reserve		50,000	
Dividends on Ord. stock—			
“A” stock, 8½% less income-tax	170,000		
“B” stock, 4½% less income-tax	45,000		
		215,000	
			446,581
Balance to be carried forward			185,182

In arriving at the above profit, depreciation of £340,320 has been written off in the accounts of the various companies and full provision has been made for all known liabilities and contingencies. We would like to remind shareholders that, as has been the practice in past years, full provision has been made at the current rate for all taxation—irrespective of when payable—on the profits earned up to December 31, 1942.

The suggested appropriation of £50,000 to a war contingencies reserve has been made to meet any exceptional charges due to the war or to cover any adjustment necessary on a resumption of normal trading conditions.

The directors wish once more to place on record their appreciation of the sustained efforts that have been put forward by all the company's staff and employees

THE UNION BANK OF
SCOTLAND, LIMITED

STRONG LIQUID POSITION

The annual meeting of shareholders of the Union Bank of Scotland, Limited, was held, on the 12th instant, Sir A. Steven Bilsland, Bt., M.C., D.L., chairman of the bank, in the chair.

The chairman in submitting the directors' report mentioned that the balance-sheet total of almost £57,000,000 was higher than last year by over £5,250,000 and constituted a record. This was also true of the deposits which, at £46,618,000, showed an increase of £5,573,000 over 1942. It was interesting to note that the increase of deposits over 1939 was £13,400,000.

Note circulation, which was just under £5,500,000, was also expanding: there was an increase of nearly £1,250,000 in twelve months. Scottish bank notes in circulation at present: amounted to approximately £50,000,000 compared with £25,000,000 prior to the outbreak of war, and this great expansion was largely due to higher wages.

ASSET

The assets side of the balance-sheet presented a condition of still greater liquidity—which had always been a feature—and showed that more money had been invested by the bank in Government war issues. The first two items, which comprised cash, balances with other banks, money lent on the discount market and cheques in course of collection, amounted to nearly £13,200,000, representing over 25 per cent. of their combined liabilities to the public on deposits and note issue. To these liquid items might be added £4,000,000 lent to the Government on six-month Treasury deposit receipts (an increase of £1,500,000) and £1,835,000 of Treasury bills (higher by £1,325,000 than last year). Altogether the total assets in cash or realisable at very short notice represented over £19,000,000, i.e., over 36 per cent. of liabilities. From an earning point of view these assets were not remunerative and for earnings they depended mainly on advances and investments. This year they showed over £23,500,000 invested in British Government securities, an increase of nearly £3,000,000; the dates of maturity were well spread, with a considerable proportion repayable within a few years. Other investments of £3,200,000 showed a reduction of £427,000. There was an ample margin in the bank's favour between the aggregate value of their investments and the total stated in the balance-sheet.

Loans and advances were £9,225,000, a reduction compared with 1942 of £1,900,000, but last year it had been pointed out that the considerable increase in advances then shown contained some items of a special and very temporary nature. An appreciable portion of their advances was due to the financing of Government contracts and they would welcome the day when it was possible to finance ordinary trading requirements to a greater extent.

PROFIT AND ALLOCATIONS

There was no improvement in their earning margin, but, on account of the larger resources available, they were able to show a slight increase in profits, which appeared in the profit and loss account at £306,000.

£50,000 had again been placed to reserve fund, making it £1,950,000 against a paid-up capital of £1,200,000, and although little had been spent on premises during the past year £10,000 had been applied in reduction of this item.

It was recommended that £25,000, as usual, should be placed to pensions and allowances fund and that the same dividend of 18 per cent. should be paid as for many years past. This would leave £151,232 to be carried forward, an increase of £5,000 over the amount brought in.

The report was unanimously adopted, and a dividend at the rate of 18 per cent. per annum declared.

ALLIANCE ASSURANCE
COMPANY, LIMITED

MR R. D. TROTTER'S REVIEW

The annual general court of the members of the Alliance Assurance Company, Limited, will be held at the offices of the company on the 26th instant.

The following is an extract from the review by the chairman, Mr Richard Durant Trotter, which has been circulated with the report and accounts:—

In the life department the net new business completed during the year amounted to £1,401,180, against £1,118,485 for 1941. The claims by death in 1942 amounted to £681,444. The corresponding figures for the two previous years were £573,104 in 1941 and £826,027 in 1940.

At the close of the year the Alliance life and annuity funds amounted to £23,346,453, against £23,141,164 on December 31, 1941.

The amount received in premiums on sinking fund and capital redemption account during the year was £86,137, and after provision for claims, commission and expenses, the fund at the end of the year amounted to £2,124,692.

FIRE AND ACCIDENT DEPARTMENTS

In the fire department, the net premiums, amounting to £2,261,430, show an increase of £132,058 over those of 1941. The claims were heavier than in 1941, and, together with contributions to fire brigades, amounted to £740,381.

The directors have strengthened the additional reserve in the fire department by £100,000. The surplus, after making this increase in the additional reserve and after adjusting the reserve for unexpired risks, is £262,962, which has been carried to profit and loss account.

In the accident department, the premium income has fallen by £81,282, which is more than accounted for by the reduction in premiums received on the motor account. The result of the year, after adjusting the reserves for unexpired risks, was a surplus of £236,848, which has been carried to profit and loss account.

In the marine department, the net premiums were £1,674,204, which is an increase of £612,925 over that for 1941. In this department we continue to enjoy the valuable advice and assistance of our friends, Messrs Chubb and Son, in New York, who, particularly since the entry of America into the war, have been faced with many difficult problems.

The underwriting account for 1940 has now been closed, with a balance of £151,408, which is £8,060 higher than the balance for 1939. £11,029 has been set aside to meet further claims, and, in addition, your directors have considered it advisable to increase the reserve fund for previous years, which has stood for some time at £300,000, to £350,000. The remaining surplus, £90,379, has been carried to profit and loss.

The trustee department continues to make progress, and the funds now being administered total approximately £16,500,000.

INVESTMENTS AND RESERVE

The Stock Exchange securities (all funds) appreciated in value during the year, but the gross rate of interest on the members' fund and the life annuity funds has again slightly declined. The total amount invested during the year in Government War Loans reached approximately £1,140,000, in addition to some £160,000 on behalf of the various pension funds.

If you now refer to the profit and loss account, you will see that we have transferred £100,000 to a reserve, which will bring the reserve up to £2,000,000. We have again transferred the sum of £50,000 to staff pension fund, and increased our contributions to the widows' and orphans' fund to £34,576. We have also considered it prudent to allot £30,727 to reduction in the value of office premises.

CALEDONIAN INSURANCE
COMPANYMR JOHN MAXWELL ERSKINE'S
REVIEW

The one hundred and thirty-eighth annual general meeting of this company was held, on the 13th instant, in Edinburgh.

The chairman, Mr John Maxwell Erskine, D.L., in moving the adoption of the report, said: The net new life assurances granted during 1942 amounted to £886,248, as compared with £957,964 in 1941. We have now practically no field staff, and in all the circumstances the volume of new business may be regarded as not unsatisfactory.

Our mortality experience for the year 1942 was favourable, even taking into account war claims. Surrenders decreased from the already small figure of £41,340 in 1941 to £30,525 in 1942, which, I think you will agree, gives cause for satisfaction in these difficult times.

The expenses for the year 1942, excluding those applicable to annuities, showed a ratio to the net premium income of 15.2 per cent., compared with 14.3 per cent. in 1941, the increase being partly due to the extra expenses of the quinquennial valuation as at December 31, 1941.

The average net rate of interest earned for the year 1942 on the life assurance and annuity fund was £3 3s. 8d. per cent., as compared with £3 7s. 4d. per cent. in 1941.

It has been decided to pay, until further notice, an interim bonus of £1 per cent. per annum on ordinary participating whole life, endowment assurance and double endowment assurance policies becoming claims by death or maturity in 1943, in respect of each year's premium due and paid for the years 1937 to 1940 inclusive.

FIRE DEPARTMENT

The premium income for 1942 was £883,231, as compared with £771,311 in 1941, and the profit was £55,068, as compared with £53,931.

ACCIDENT DEPARTMENT

The premium income for 1942 was £489,591, as compared with £575,817 in 1941, and the profit was £43,871, as compared with £6,208.

MARINE DEPARTMENT

The premium income for 1942 showed a large increase at £621,315 against £351,692 in 1941. Attention is drawn in the annual report to this increase and to simplification in the form of account. You will observe that there was no transfer to profit and loss account in 1942, and that the claims paid on account of that year amounted to the large figure of £439,821. It is not surprising, looking to the worldwide character of the company's connections, that the results in this department have been adversely affected by war-time conditions. The marine fund of £570,257 carried forward at December 31st last is considered adequate.

GENERAL RESERVE FUND

The additional reserves of £500,000 in the fire insurance account, and £250,000 in the accident insurance account, have been transferred to the general reserve fund, which now stands at £1,400,000, as compared with the previous figure of £650,000. This, I think, gives a clearer view of the reserve position of the company.

PROFIT AND LOSS ACCOUNT

If the recommendations of the directors be approved, the balance to be carried forward in this account, after payment of a dividend of 15s. per share and allocation of £20,000 to the staff pension fund, will be £89,197, as compared with £117,150 brought in from the previous year. The balance on this account has been adversely affected by the increased provisions we have had to make for British income-tax and National Defence contribution, and by a substantial loss incurred in the provision of foreign exchange required in the course of our overseas transactions.

THE EMPLOYERS' LIABILITY ASSURANCE CORPORATION, LIMITED

INCREASED PREMIUM INCOME

The sixty-second ordinary general meeting of the Employers' Liability Assurance Corporation, Limited, was held, on the 12th instant, in London, Sir Courtauld Thomson, K.B.E., C.B., the chairman, presiding.

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

The results of our operations in 1942 may be summarised as follows. Our total premium income was £6,808,664, an increase of £92,221 over 1941. Our underwriting profit of £182,377 (which is arrived at after charging Dominion and foreign taxes) and our gross interest income of £320,018 together amount to £502,395. The aggregate of the taxes, British and Dominion and foreign, paid or provided for in the accounts, is £725,446. We are recommending the payment, on May 28th, of a final dividend of 2s. per share which, with the interim dividend of 1s. 6d. per share paid on October 30th last, makes a total payment per share for the year of 3s. 6d. We then carry forward £562,231, an increase of £38,926 on the year. This carry forward of £562,231 is additional to the general reserve of £2,500,000.

FIRE AND ACCIDENT PREMIUMS

Our fire premiums show an increase over the previous year, and produced a profit of £23,502. It is strange that in these times, when fire brigade services have been so greatly enlarged and are supported by a country-wide system of fire guards, the waste caused by fires, other than those arising from enemy action, should be even greater than in pre-war years. It is estimated that in 1942 the cost of these avoidable fires was over £12,000,000. The monetary loss is serious enough; but the graver aspect is the interruption of production and consequent slowing down of the national war effort.

In the accident and general account the premium income, at £6,367,235, shows a satisfactory increase, and there is a profit of £158,875. This is an improvement over 1941. Under the ever-resourceful management of Mr Stone, which we gratefully appreciate, the United States branch made the largest contribution to profit, as well as to premium income, in the account. The premium income of the branch was well maintained in 1942, but we must be prepared for a reduction in 1943 in consequence of the restrictions on motoring.

The proposals in the Report of Sir William Beveridge will have come under your notice. While we are in sympathy with the fundamental objects of the Report, we feel that these could be attained without revolutionising the system under which the present benefits are administered by the existing insurance organisations. We are naturally desirous of co-operating as fully as possible with the Government in their consideration of those matters with which we are directly concerned.

INCREASED INVESTMENTS

There is an increase of £1,003,968 in our investments, which (excluding properties and our associated companies) amounted at December 31, 1942, to £8,990,351. Their market value exceeded that total. The additional investments consist almost entirely of Government issues, and we are glad to be able to give this support to the cause of the United Nations.

The 1942 results of the Clerical, Medical and General Life Assurance Society and the Merchants' Marine Insurance Company, Limited, indicate the importance of our participation, through these associated offices, in life and marine business.

The report was unanimously adopted.

SUN INSURANCE OFFICE LIMITED

SIR WILLIAM H. GOSCHEN'S REVIEW OF 233rd YEAR'S OPERATIONS

As the business at the annual general meeting on the 25th instant will be confined to the passing of the usual resolutions, the chairman, the Hon. Sir William H. Goschen, K.B.E., has sent to shareholders a statement concerning the year's operations. In this statement he refers with most sincere regret to the death of General the Hon. Sir Herbert A. Lawrence, G.C.B., a member of the board for more than 20 years. Mr D. J. Roberts and Mr C. G. Randolph have been appointed directors.

Mr H. R. Hobson, D.S.O., joint general manager of the office, has retired at his own request after 47 years of service.

THE ACCOUNTS

Premium income in the fire section showed an increase notwithstanding the loss of important connections through enemy occupation of territory in the Far East. Marine income also rose substantially. It had not been possible to maintain entirely the premium income in the accident section, but there had been an advance in the aggregate figure for all sections of £233,000.

The claims experience in the fire account was satisfactory, the improved record at home continuing, whilst in the U.S.A. the adverse experience of the two previous years was not repeated. Fire underwriting profits amounted to £252,177.

Owing to the greatly restricted use of civilian motor vehicles the income from motor business had fallen considerably, but the claims experience showed a marked improvement. The transfer to profit and loss account from accident business was £191,506.

Marine premiums advanced by £346,853 to £1,266,642. Claims at £912,481 increased by £404,745. War risks premiums on U.S.A. shipping and the losses sustained on this section were largely responsible for these increases. After a transfer of £50,000 to profit and loss account the fund remained strong at £1,580,211.

TRANSFER FROM REVENUE ACCOUNTS

The aggregate transfer from the three revenue accounts amounted to £493,683. Net interest earnings at £181,386 were £6,177 higher than in 1941. Provision had been made for British taxation and for War Damage Contribution to the extent of £292,000. £100,000 was contributed to the pension fund and £80,000 carried to general reserve fund, which was thereby maintained at £1,000,000.

THE DIVIDEND

An interim dividend of 1s. 3d. per share was paid last January, and a final dividend of 1s. 6d. per share had been declared. The cost of these two dividends, less income-tax, was £171,875. The book value of the investments increased by £338,466 to £9,456,730.

The chairman felt that, whilst shareholders would regard this record as satisfactory, he should remind them that as the war continued so its destructiveness to much normal commercial enterprise must progress. In the absence of opportunities to replace what the war had destroyed insurance business must be adversely affected.

The chairman, after paying a warm tribute to the work of the management and staff at home and abroad, concluded his statement with a reference to the many men and women now serving with the forces and to those who had fallen or are missing.

J. & P. COATS, LIMITED

THE CHAIRMAN'S STATEMENT

The annual general meeting of J. & P. Coats, Limited, will be held, on the 20th instant, in Glasgow.

The following statement by the chairman, Mr J. O. M. Clark, has been circulated to stockholders in advance with the report and accounts.

I am adhering to the practice which was followed last year by sending to the stockholders a printed statement relating to the accounts of the company to be submitted at the annual general meeting on May 20th. Owing to the paper restrictions which are now in force, it is not possible on this occasion for me to make even a brief survey of the operations of the company and those of its subsidiary and allied companies abroad as I have done in recent years, and I must therefore limit my remarks to some explanations regarding the figures appearing in the balance-sheet and a few other comments.

ACCOUNTS

The balance-sheet shows a few changes to which I shall refer briefly. On the liabilities side, sundry creditors have risen from £10,504,000 to £12,049,000, the rise being mainly accounted for by the following items: an increase in the balance of the excess profits tax account represented by that part of the provision made in past years which has not yet been paid over to the revenue authorities; a larger balance carried in the income tax account than was the case last year; a larger amount outstanding in respect of unpaid cotton purchases; and also increased balances due to third parties in respect of monies borrowed by our selling agents to effect advance payment to us for goods shipped to foreign markets.

Amongst the assets there may be noted an increase in the amount of investments in subsidiary companies from £21,582,000 to £21,822,000. This increase represents a purely internal change, being the conversion to share capital of part of the balance in current account due to us by a foreign subsidiary. The decrease in sundry debtors is accounted for by normal fluctuations. Stock of goods and stores shows a considerable increase, rising from £3,319,000 in 1941 to £5,380,000 in 1942. About half of the increase is accounted for by a large purchase of raw cotton made in Egypt towards the end of the year. It may be explained, however, that in the early days of this year we have, at their request, sold this cotton to the Cotton Control so that our present stock position has been reduced accordingly. The remaining part of the increase is due to the considerably greater quantity of goods on the way to our selling agents, and the increased values. It will be appreciated that, owing to war conditions, deliveries of goods to overseas markets take longer to reach their destination than in normal times.

The profit and loss account shows a balance of £1,706,161, which is after providing £1,130,000 for excess profits tax. The increase in net earnings is explained by an improvement in our standard profits by reason of an increase in the average capital employed in the business. In addition to the provision for excess profits tax, as in past years we have fully covered our income tax liability for the year of account. Consequently, stockholders will appreciate that the tax to be deducted from the final dividend payable on June 30th next will be effective as a credit against next year's liability.

The results will, I hope, be considered satisfactory by the stockholders. The profit figure as shown in the balance-sheet is practically the same as for the year 1941. For the reasons which I gave you last year it could hardly have been otherwise. But what is of more significance is that our sales have, I am pleased to say, been maintained at the high figure of 1941 and are up to the best pre-war years in spite of the fact that

a large part of the European and Eastern countries have contributed little or nothing to the total. Our trading profit remained at about the same level as last year, but our total profits before charging United Kingdom taxes are somewhat reduced. This is due mainly to increased foreign taxation and reduced dividends from associated companies.

TRADING DIFFICULTIES

The demand for our products which are of an essential nature, both for war purposes and for civilian requirements, greatly exceeds our ability to satisfy it, but after meeting the Government-directed orders our agents do their best to make as fair a distribution as possible among our customers. The forecast which I made in the statement to the stockholders last year on the subject of clothes rationing has been fully realised.

FUTURE PROSPECTS

Provided that nothing at present quite unforeseen occurs, our experience during the current twelve months is, as far as I can see, not likely to differ very much from the year 1942, assuming that we can get supplies of suitable cotton to keep our home mills running. The purchase and importation of cotton for this country is now entirely vested in the Control, and since April, 1941, no individual has been permitted to make purchases. We are consequently wholly in the hands of the Control who are well aware of our requirements. So far as our mills abroad are concerned, the question of cotton does not give rise to any anxiety.

Without relaxing in any way our efforts to maintain production, we are giving considerable thought to our world position when hostilities cease. Much new machinery, accessories and stores will doubtless be required to replace any equipment which, either through neglect or excessive use, has become defective. Provision will also require to be made for additional machinery to extend the production of special articles introduced during the last three years.

In many respects these plans must be of a tentative nature until the situation in certain countries becomes more clearly defined, but much can be done meantime to develop a general scheme which may require to be modified only in respect of details.

WORK AT MILLS

Since our last meeting it has been found necessary to introduce a night shift at our home mills and to make certain rearrangements of the work performed by a number of our employees. At one of our factories abroad which is now supplying a much wider area than in peace time, work is being carried on with three shifts.

EMPLOYEES

In expressing our thanks to the staff and employees of the company at the annual meeting last year, I referred to the difficulties under which many of those in our employment were carrying on their work. What I said then still holds good, if not in greater measure today, and we are very appreciative of all they have done and are doing.

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*, Bottenham House, Lancaster Place, W.C.2.

MAYPOLE DAIRY COMPANY, LIMITED

DIFFICULTIES OF WARTIME TRADING

DIVIDEND OF 4 PER CENT. MAINTAINED

SIR GEORGE SCHUSTER ON THE OUTLOOK

The forty-fifth annual general meeting of the Maypole Dairy Company, Limited, will be held, on the 21st instant, in London.

The following annual review by the chairman (Sir George Schuster, K.C.S.I., K.C.M.G., C.B.E., M.C., M.P.) has been circulated with the report and accounts:—

As the financial results for last year show no marked change and are clearly explained in the accounts and report, this is a good occasion to review the general story of the Maypole Company during the war. Large multiple companies are often represented—in contrast with small traders—as being both immune from war difficulties and devoid of human qualities. It may interest you to know how far from the truth are both these ideas.

WAR DIFFICULTIES

The war has brought our company special difficulties. Maypole shops always specialised in certain lines. Their reputation for high quality in such articles as eggs, butter, margarine, tea, etc., attracted many customers who for their general grocery purchases dealt with other shops of all kinds, including the Co-ops. We organised our own supplies in these special lines. In the case of eggs, for example, we had our own collecting stations in Denmark so that we could get our eggs from the hen to the breakfast table in record time. Then, using our Danish experience, we had established and were steadily increasing our own egg collecting stations in suitable localities in England, thereby rendering good service both to the British farmer and to the British consumer. During the five years prior to the war we more than doubled our sales of eggs, and in 1938 we sold well over 200 millions. The war has changed all this. The Nazis have got our Danish egg stations and the British Government has taken over the control of collection and distribution at our English centres. All we can get now is our quota of eggs in the same way as everybody else, calculated according to the number of our registered customers. The same sort of thing has happened with all our other special lines—butter, margarine, and the rest. We can now merely sell what the Government allots to us in the same way as everybody else.

CHANGES IN SHOPPING HABITS

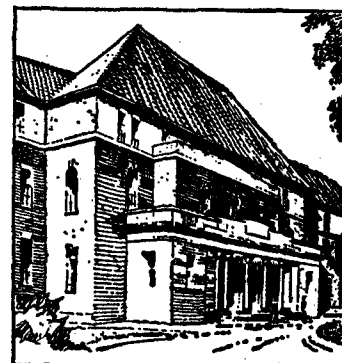
We can, indeed, still claim that our methods of handling goods and preserving their freshness in our branches offer definite advantages; but the special value of our own organisation has been taken from us. At the same time there have been other forces at work to take our regular customers away from us. Early in the war the practice grew up for general grocery shops to refuse to sell unrationed articles except to people who registered with them for everything else. Then in July, 1942, the Government strongly urged the public in the interests of national economy to register with traders in the immediate vicinity of their homes. This had a further adverse effect on us, since most of our branches are in the main shopping centres, and therefore in some towns quite a long way from our customers' homes. We make no complaint of such Government action, since what they direct in the national interest must be cheerfully accepted in time of war. But these things have meant disadvantages to the Maypole business, the full effect of

which—since some of them only began to operate last July—is not reflected in the 1942 trading results.

I can give a broad idea of the significance of all these factors on our turnover by saying that the volume of sales in our main special lines was in 1942 something less than half of the volume in 1938. Against this drop we have been able to increase our sales in general groceries, while the rise in prices compared with 1938 has helped to keep up the value of our total sales. At the same time, too, the margin of profit under the regulated prices is higher than it was our policy to take in peace time. It is in these ways, combined with careful economy in expenses, that we have been able to maintain a net income sufficient to pay a modest dividend.

HUMAN CONSIDERATIONS

Turning to the human side of the business, it has always been a feature of the Maypole policy to maintain a close spirit of fellowship between the company and its employees, to give them an opportunity through our bonus system to share in improved results, and above all to provide for them good chances of advancement. The war has sadly cut across many of our plans. In the years before the war, for example, we were starting a special scheme for the education of the boys joining our service. We had got great help from local education authorities, especially in London and Leeds, where we made our first start.



CITADEL OF HEALING

Last year at the Christie Hospital 4,864 new patients from all parts of England were examined, 45,223 investigations of patients were carried out and 17 Cancer Diagnostic Clinics maintained at Hospitals over a wide area. Funds are urgently needed for this work and for the extension of research into Cancer, still mankind's great scourge.

CHRISTIE CANCER HOSPITAL
HOLT RADIUM INSTITUTE

Of course all these plans had to come to an end with the war. The war, too, has scattered our "Maypoles" all over the world. Out of our total male staff in the branches before the war of 4,890, only 625 are now with us, the remainder having left mainly to join the Forces or some of them to take up munition work. We are trying to maintain contact with those in the Forces. We give them special financial allowances to supplement their service pay in cases where family obligations make some assistance necessary, and we are now turning our special attention to the problem of how best to look after these men when they come back. We get many encouraging letters from them, showing how they retain their interest and how they are looking forward to getting back again to the company. In the meanwhile the older members of our staff who remain with us have risen in a fine way to cope with the difficulties brought about by war conditions.

A DEMOCRATIC ORGANISATION

We are a very democratic organisation. All our directors except two, and practically the whole of our senior executives, are men who started in the trade right at the bottom and have risen "from the ranks" to their present positions. One of our most valued senior executives, Mr Brooke, who started in the company at 6s. per week, celebrated this year his jubilee of 50 years' service with us. We were very sorry that the occasion could not be marked, as it would have been in peace time, by a large gathering to demonstrate the good will which he himself has done so much to promote.

In the meanwhile the places of the men who have left us have been filled with women and girls. Here again we have had our difficulties, since many of those whom we trained in the early period of the war have been directed away from us into the Services or munition work so that we had to start training all over again. Generally speaking we have nothing but praise for our war-time staff. They have stuck to their jobs and seen us through dangers and difficulties, especially in times of heavy air raids, in a magnificent way.

I hope all these points will interest our shareholders. There are something like 30,000 Maypole shareholders. I wonder if it has ever occurred to them when they shop at a Maypole branch—as I hope they all do—that a word of appreciation to the staff in these difficult times would have a very encouraging effect. I should like to impress on them all that a business like ours is essentially a human business, and that its success largely depends on the spirit of those who represent it behind the counter.

FINANCIAL RESULTS

Turning to the financial results, the net profit available for distribution—allowing for a slightly increased provision for income-tax—is £9,000 less than in 1941. We have again recommended that a dividend at the rate of 4 per cent., less tax, should be paid on the deferred ordinary shares, which will, after making the usual allotment to the company's provident fund, necessitate drawing upon our carry-forward to the extent of £7,722, leaving this at £294,615.

The formal resolution embodying the board's recommendations will be duly submitted at the annual general meeting.

It is a satisfaction to the directors that it has been possible to recommend the maintenance of the ordinary dividend. Although, as I have said, we do not expect during 1943 to maintain last year's level of profits, nevertheless, looking further ahead, we have unshaken confidence in the future of the business. The foundations of our organisation are well laid, the structure is sound, and we look forward to a big response from the public when normal shopping conditions are restored.

SPILLERS LIMITED

CONTROL PROBLEMS

DIFFICULTIES OF SUPPLIES

SIR MALCOLM ROBERTSON AND POST-WAR TRADE

The fifty-sixth annual general meeting of Spillers, Limited, was held at the Great Eastern Hotel, Liverpool Street, London, E.C., on the 14th instant, the chairman of the company, the Right Hon. Sir Malcolm A. Robertson, P.C., G.C.M.G., K.B.E., M.P., presiding.

The secretary, Mr P. Lloyd Tanner, F.C.I.S., read the notice convening the meeting.

The chairman submitted to the meeting his statement, which had been circulated to stockholders with the directors' report, as follows:—

FLOUR MILLING CONTROL AGREEMENT

I am sorry that the hope which I expressed this time last year, that we should not again have to meet without the directors being able to lay accounts before you, has not been fulfilled. This arises from the vast amount of detailed accounting work necessitated by the Flour Milling Control Agreement, which devolves upon a staff depleted by the demands of National Service. Some idea of the work involved will be gained when I tell you that it necessitates the repricing of all inter-departmental transfers of goods back to February 1, 1934, and the segregation from that date of the results of the controlled and non-controlled sections of the company's business. These results have to be computed in accordance with the provisions of the Agreement in order to achieve uniformity between one member of the industry and another and all the workings have to be verified by the auditors and afterwards agreed with the officials of the Ministry of Food. Only after all this has been done can the taxation liability be ascertained. The parties concerned outside the company are also seriously affected by the shortage of skilled staff. Considerable progress has been made and while it is dangerous to make any prophecy, I am hopeful that by the date of the next meeting we shall be able to lay before you a reasonably accurate statement of the results of the first three years' working under the Agreement.

The Agreement itself has now been extended in substantially the same form for a fourth year, i.e., until August 31, 1943. I shall reserve more detailed comment until I am able to make it in light of the actual results, but such information as we have does not lead the directors to alter the broad view which I indicated to you last year that the terms are not generous having regard to all the circumstances.

The technical department has been able satisfactorily to deal with the added complications presented by the adulteration of flour with the admixture of cereals other than wheat, in accordance with Government regulations.

CURTAILMENT OF ANIMAL FOODS

On the animal foods side a further curtailment of trade has resulted from even more restriction in the supplies of raw material. The trade in some products has, for all practical purposes, been extinguished altogether. The proposals for concentration in relation to the animal feeding stuffs industry, to which I referred briefly last year, have now reached a further stage, and a company representative of the industry, on the board of which your company is represented, is being formed to deal with this situation. Certain factories may be closed down, and it is proposed that there will be a levy made on the output of such factories as continue in operation. This will form a pool out of which certain payments will be made to the owners of those

factories which are closed down in order to contribute in some degree towards their standing charges.

Once again the question of the dividend to be recommended (in this case for the year ended January 31, 1943) was one of some perplexity to your board because of the circumstances which I have previously outlined. After reviewing the best estimates possible of earnings, and having regard to the continued strength of the company by reason of the prudent policy followed for many years before the war, your board came to the conclusion that they would be justified in recommending payment of dividends at the same rates as for the previous year. A resolution to carry this recommendation into effect will be submitted at a later stage in the meeting. I reiterate the warning which I previously gave that in these times trading conditions are liable to disruption and dislocation, and the outlook for the future is therefore uncertain.

POST-WAR RECONSTRUCTION PROBLEMS

I have referred in the past to the need for making provision against the rehabilitation of the company's trade when the war is over and the maintenance of its position in a return to a highly competitive market. In these critical days every effort must needs be directed to the carrying out of our first duty of producing and delivering essential foodstuffs to the greatest extent possible and in the most economical manner. But now that the Government is devoting attention to the preliminaries of what is termed "Reconstruction" I venture to suggest that the time has arrived when responsible industry should be consulted in regard to plans for the conduct of the country's commerce in the post-war era in order that knowledge and experience of the realities of such questions may be allowed to play their due part.

In this connection it was most welcome to hear the Prime Minister refer to the essential part to be played by private enterprise and the need to reduce direct taxation when the all-absorbing requirements of wartime expenditure have passed. On the social side it has always been this company's policy to do our best to maintain a reasonable and steady standard of remuneration for our employees and to provide adequate pensions and retiring allowances. It is the duty of well-established industry to promote the best possible conditions for all those engaged in it, and it is my hope that we shall be enabled to continue on these lines in the years to come.

We are proud and pleased to record the honour of knighthood conferred by His Majesty the King on one of our colleagues, Sir Archibald Forbes, for his signal services to his country during the present war.

CONGRATULATIONS TO SECRETARY

I am sure that the stockholders will desire to join with the board in congratulating Mr P. Lloyd Tanner, the company's secretary, on being elected to the high office of President of the Chartered Institute of Secretaries. Mr Lloyd Tanner has been in the company's service for 39 years and has occupied the post of secretary since 1916. As secretary of the company he has earned the admiration of my colleagues and myself, and we are proud that his high qualities should have been so fully recognised by the members of his own profession. We feel they could have made no happier choice.

I should also like to offer congratulations on your behalf to our south-west

area general manager, Mr J. Twomey, who has received the O.B.E. from His Majesty. No honour has been more fully earned, or more thoroughly deserved.

Once more I pay tribute on behalf of the board and the stockholders to the work of the company's staff and work-people. They have coped admirably with the many difficulties presented by abnormal conditions, not least of which is the ever-growing depletion of their numbers.

I should like to convey from you to those of our employees who are in the Services, how much our thoughts are with them in these anxious days, and wish them a safe and welcome return in what we hope is the not too far distant future.

The report was unanimously adopted.

The retiring directors, Sir Malcolm A. Robertson and Mr Arthur Whittaker, were re-elected, and the retiring auditors, Messrs Impey, Cudworth and Co., and Messrs. Deloitte, Plender, Griffiths and Co., were reappointed.

After a vote of thanks to the chairman the meeting stood adjourned.

AUSTIN MOTOR COMPANY, LIMITED

PROPOSED REDEMPTION OF £944,280 5 PER CENT. DEBENTURE STOCK AND ISSUE OF £1,000,000 4½ PER CENT. REDEEMABLE PREFERENCE SHARES

The chairman (Mr E. L. Payton, J.P.) presided at a series of class meetings held, at Longbridge Works, Birmingham, on the 12th instant, under the direction of the Court, also at an extraordinary general meeting, which were convened for the purpose of approving a scheme of arrangement and resolutions altering the company's Articles of Association.

In his opening remarks the chairman commented:—

Ladies and gentlemen, this is the first of a series of three class meetings at which the holders of the company's 7 per cent. preference stock, 6 per cent. B preference stock and 20 per cent. preferred ordinary stock are being asked to approve the scheme of arrangement proposed to be made between the company and the various classes of its stockholders. If the scheme is approved at all the class meetings these will be followed by an extraordinary general meeting of the company at which the necessary resolutions will be proposed for creating the 4½ per cent. redeemable preference shares referred to in the scheme and for altering the Articles of Association of the company to the extent necessary for giving effect to it.

The scheme has been circulated among the stockholders and I do not propose to refer to its provisions in detail, but it may be of interest if I allude to the considerations which influenced the directors in deciding to submit it to the stockholders at this time and in this form.

OBJECT OF THE SCHEME

The object of the scheme is to effect the redemption of the company's debenture debt of which there is £944,280 outstanding secured by a fixed charge on the company's properties and a floating charge on its undertaking and general assets and carrying interest at 5 per cent. Your directors saw various advantages to the company in replacing the debenture stock by a capital liability carrying a lower rate of interest, the issue of which would free the company's property and assets, amounting to about £8,500,000, from the charge attaching to them under the present debenture trust deed and place the company in the best possible position to meet difficulties which may arise during the period of change-over from war-time production to its normal activities. It was decided to make the new preference shares redeemable by means of a sinking fund commencing in 1948 to be provided out of profits,

thus gradually reducing the capital liability standing in front of the existing issues of capital exactly as the debenture debt which it replaces was reducible by the operation of an annual sinking fund. The company's Articles of Association contain provisions for the alteration of the rights attaching to classes of shares issued on special terms by means of resolutions passed at class meetings. Your directors were advised that the same purpose could be achieved by means of a scheme submitted to the stockholders under the Companies Act. This procedure was accordingly adopted, and the meetings now to be held have been convened by the direction of the Court to which the results will be reported. This method affords protection to the stockholders, and the scheme, if approved by you today, will then be submitted to the Court for sanction and to the Treasury for approval of the issue.

PROVISIONAL OFFER ACCEPTED

The board gave careful consideration to the possibility of offering to the debenture holders an opportunity of exchanging their stock for redeemable preference shares of the new issue, and are aware that a number of the company's debenture holders would have wished to convert their holdings into preference shares. It was, however, difficult to forecast the extent to which the debenture holders would have accepted an offer to convert their stock into preference shares and after carefully considering the matter the directors decided that it would be in the best interest of the company to accept the provisional offer received through the company's brokers for placing the whole of the issue of redeemable preference shares upon terms which will give the company £1 net per share and will include an undertaking by the purchasers not to put any of their shares on the market at less than par for six months from the date of allotment.

At the close of the meetings the chairman announced that the scheme and resolutions had been approved by the requisite majorities.

JOHNSON AND PHILLIPS, LIMITED

CONTINUED EXPANSION

The thirty-eighth annual general meeting of Johnson and Phillips, Limited, was held, on the 13th instant, in London.

Mr G. Leslie Wates, J.P. (the chairman) said that the trading profit at £507,797 reflected a continued expansion in the company's operations, and was some £5,000 higher than in the previous year, but the increase was not so great as it had been in the last two or three years of the company's history. He thought that pointed to the fact that, whilst they had not yet reached their maximum output, they were undoubtedly approaching the time when the factory would be producing to the limit of its capacity. In arriving at that figure, they had been compelled to make certain estimates and they had allowed for certain contingencies.

The largest individual deduction from trading profit was again that of taxation. They reserved £310,000. That figure was necessarily an estimate, but he felt satisfied that it would be a safe figure. The dividend recommendations and the allocations to research and to contingencies were the same as they had been during the last two years, and the balance carried forward to next year was within £700 the same as the amount brought in.

The balance-sheet reflected the continued increase in the company's business by showing substantial increases in stock-in-trade and work-in-progress, which were up by £180,000, and in sundry debtors, which were up £125,000. They had borrowed no money or plant from the Government, nor had they received any financial assistance, other than normal bank loans, in relation to the various extensions of buildings, plant

and machinery carried out since the outbreak of war. The whole of those had been financed from their own resources in the ordinary course of their business.

The report was unanimously adopted.

BEIRA RAILWAY COMPANY, LIMITED

INCREASED REVENUE

The forty-second ordinary general meeting of the Beira Railway Company, Limited, was held, on the 12th instant, in London, Mr Arthur E. Hadley, C.B.E. (the chairman), presiding.

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

There was an increase in gross revenue of £27,536 as compared with the previous year. Expenditure increased by £9,665, and the net revenue was £17,871 higher. Import traffic showed no improvement, but export traffic was well maintained. The net earnings from the line realised £451,423, an increase of £17,871. Adding balance of interest account and miscellaneous revenue, the total net revenue is £471,468.

The cash position is again very satisfactory, cash, tax, reserve certificates, and investments totalling £942,874, out of a total of £961,615 of current assets. Current liabilities amount to £319,909. The amount of debenture stock outstanding at September 30 last was £1,863,100, £25,750 stock having been redeemed during the year from the sinking fund. Liabilities include provision for taxation, and for rebuilding of properties.

The result of the year's working is a profit of £100,176, which, added to the amount of £42,545 brought forward from the previous year, makes an available surplus of £142,721. It is proposed to pay a dividend of 2s. per share, less tax at 5s. 4d. in the £, absorbing a gross amount of £105,000, and to carry forward the balance of £37,721 to next account.

With respect to the current financial year, we have received, at present, traffic receipts for five months—October, 1942, to February, 1943. Net earnings for this period amounted to £163,772, as compared with £187,077 in the previous year, or a decrease of £23,305.

The report was adopted.

JAMES W. COOK AND COMPANY, LIMITED

The forty-sixth annual general meeting of this company was held, on the 7th instant, in London.

Mr W. J. Clarke (chairman and managing director), who presided, said: The result is within a few hundred pounds the same as last year, and once again this result has been greatly helped by the contribution from our subsidiary undertakings.

Road haulage has continued satisfactorily and has helped our returns, but I must advise you that the Ministry of War Transport has taken over control in the long distance road haulage by acquiring the use of all the fleets of lorries of various concerns all over the country, and some of our subsidiaries have been selected as being desirable for this purpose in the eastern counties which we serve. We shall be left to continue to manage the concerns, and it is to be seen how that will affect us.

It is absolutely impossible to forecast the next year's trading, but it is the firm belief of very many of us that certainly after the war, if not before it is ended, London with its great capacity will come back into its own, and that we can look forward with courage and well-founded hope to the future.

The report and accounts were unanimously adopted, and a final dividend of 7½ per cent., making 10 per cent. for the year, and a bonus of 2½ per cent. were declared.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE close of the Tunisian campaign had been largely discounted in the markets, and although a slight impetus was given to the rate of advance in industrial equities, *The Financial News* ordinary index touching a new high at 99.7, the general experience was predominantly one of sagging prices. The *gilt edged* market was dull throughout, both irredeemable and dated stocks declining steadily in the absence of support, and the fall was accentuated in midweek. In the *foreign bond* market, South American loans were firm on reports of current economic conditions. Brazilian and Chilean bonds were outstanding, shortage of stock resulting in gains of a point and more. Absence of buyers, coupled with profit taking, occasioned a general reduction in home raid quotations. The prior charges fell away in sympathy with the Funds, while, among the equities, net losses on the week amount for GW and LMS ordinary to 1½ points, with a 2 point fall for Southern preferred. South American rail stocks rose sharply but failed to maintain their strength, although both debentures and equity issues were slightly higher on balance.

Particular interest in the *industrial* market centred on heavy industrial and motor shares. Ruston and Hornsby rose 2s. and Dorman Long 1s., while among motors, Rover was outstanding with a gain of 2s. In addition, Rolls Royce, Ford and Pressed Steel all advanced. Stores shares were quietly supported, Gussies and Woolworth both improving, but Marks and Spencer weakened on the annual results. Tobacco shares were dull and among breweries insignificant fluctuations were the general rule. Textile shares weakened in mid-week, but losses nowhere exceeded 9d. Dollar stocks spurred at the end of the previous week, and despite a general recession at the reopening, most issues were higher on balance. Brazilian Traction was firm throughout, rising 1½.

In contrast with recent weeks, interest in the *kaffir* market flagged. Movements either way seldom exceeded 1½, while *diamond* issues fluctuated narrowly. Use-

ful gains were scattered throughout the *tea* market, but in mid-week prices eased slightly as support declined. In a quiet oil market, Burmah Oil weakened slightly on the military reports, and Ultramar was irregular on news of the new issue. Other quotations were generally steady.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
	£	£		
May 6.....	5,373	2,608	99.2	135.8
" 7.....	5,443	2,469	99.2	135.7
" 10.....	7,569	3,323	99.7	135.6
" 11.....	5,789	2,769	99.7	135.4
" 12.....	5,867	2,430	99.4	135.3

* July 1, 1935 = 100. † 1928 = 100. 30 Ordinary shares, 1943: highest, 99.7 (May 11), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

ACTIVE profit-taking on Wall Street offset the majority of gains occasioned by the encouraging reports from Tunisia. Utility stocks were outstandingly strong, but despite the fairly general rally, most issues failed to recover earlier losses, ranging up to 2 points. Movements in midweek were irregular.

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

	1943	Apr. 21, 1943	May 5, 1943
	Low Jan. 6	High May 5	
347 Industrials.....	81.1	96.9	93.5
32 Rails.....	72.6	98.5	93.2
40 Utilities.....	67.9	83.8	79.8
419 Stocks.....	78.5	94.9	91.3
Av. yield %.....	5.36	4.55	4.72

* 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

	April 29	April 30	May 1	May 3	May 4	May 5
115.3	115.3	115.9	117.5	118.0	118.6	

1943: High, 118.6, May 5; Low, 99.5, Jan. 2.

COMMODITY AND INDUSTRY NEWS

Spinning Methods Research.—The surplus assets of the Spindles Board (set up under the Cotton Spinning Industry Act, 1936, and recently wound up), which amount to about £19,000, are to form a Trust Fund to be used for the purpose of experimental research in spinning methods and equipment, and their trial under mill conditions, with the object of improving cotton spinning processes. The first Trustees of the Fund are Sir Frank Platt, Sir Raymond Streat and Mr W. M. Wiggins. The experiments will be carried out under the management of a committee.

Export Licensing.—Under the Export of Goods (Control) (No. 5) Order (S.R. and O., 1943, No. 650), which comes into force on May 24, 1943, control is extended to cover gin; hoots and horns; wooden furniture; travelling and cycle bags; bacterio-

logical products and additional metal goods and chemicals. The Order also extends control to all types of agricultural and horticultural machinery; garment-pressing machinery; industrial steam-raising plant; leather measuring and processing machinery; and fluid injectors and ejectors.

Milk Prices.—The Ministry of Agriculture and Fisheries and the Ministry of Food announce that the prices to be paid to the Milk Marketing Board for milk sold in the year April 1, 1943, to March 31, 1944, will be such as will enable the Milk Marketing Board to pay to producers the same prices as those paid during the corresponding months in the year ended March 31, 1943.

Trading with the Enemy.—The Board of Trade have made the Trading with the

Total share dealings: May 6, 2,078,000; May 7, 2,150,000; May 8, 1,063,000; May 10, 2,515,000; May 11, 1,788,000; May 12, 1,434,000.

* Two-hour session only.

Capital Issues

Week ending	Nominal Capital	Con- versions	New Money
May 15, 1943	1,450,277	1,178,000	863,677
By Shareholders only	58,393	...	99,266
By Permission to Deal	694,809,230	690,807,171	...

Particulars of Government issues appear on page 641.

Year†

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1943.....	620,523,630	1,375,685	658,677
1942.....	690,570,375	199,308	37,498

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1943.....	615,512,165	659,837	636,990
1942.....	686,662,184	252,423	3,892,564

† Includes Government issues to May 4, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	615,512,165	659,837	636,990
1942.....	686,662,184	252,423	3,892,564

† Includes Government issues to May 4, 1943, only. Above figures include all new capital in which permission to deal has been granted.

ISSUES TO SHAREHOLDERS ONLY

Ultramar Company.—Issue of 300,554 10s. shares at 42s. 6d. each in the proportion of 14 for each 100 held. Consent of the Treasury has been obtained. Morgan, Grenfell and Co., in association with a group of the principal shareholders, have agreed to guarantee the subscription of the issue for a commission of 9d. per share. The object of the issue is to provide the Venezuelan companies with funds for further development and maintenance of their concessions.

CONVERSIONS AND REPAYMENTS

Realisation and Debenture Corporation of Scotland.—The £200,000 outstanding 5 per cent mortgage debenture stock will be repaid at £105 per cent on November 11, 1943. For this purpose £200,000 ½ per cent debenture stock will be issued at 98 per cent. Holders of the 5 per cent stock registered at May 5th can convert into an equal amount of ½ per cent stock and receive on November 11, 1943, a cheque at the rate of £7 in respect of every £100 of stock converted.

Enemy (Specified Persons) (Amendment) (No. 6) Order (S.R. and O., 1943, No. 642), which came into force on May 10, containing 402 additions to the "Black List" of traders abroad with whom it is unlawful to have dealings of any kind. Persons owing moneys to, or holding or managing the property of, specified persons are under statutory obligation to report particulars to the Custodians of Enemy Property.

Soft Fruits.—The Minister of Food has made the Soft Fruits (Maximum Prices) Order, prescribing maximum prices which have operated from May 10th. The Order applies to strawberries, raspberries, gooseberries, black, red and white currants, cultivated blackberries, wild blackberries and bilberries. No restriction on the picking

(Continued on page 644)

GOVERNMENT RETURNS

For the week ended May 8, 1943, total ordinary revenue was £46,268,000, against ordinary expenditure of £101,157,000, and issues to sinking funds £515,000. Thus, including sinking fund allocations of £978,077, the deficit accrued since April 1st is £374,752,000 against £322,189,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 8, 1942	April 1 to May 9, 1943	Week ended May 9, 1942	Week ended May 8, 1943
ORDINARY REVENUE				
Income Tax.....	68,649	78,500	5,850	7,681
Sur-tax.....	5,120	4,902	460	450
Estate, etc., Duties.....	12,170	10,660	1,370	1,932
Stamps.....	770	590	...	...
N.D.C.....	2,843	2,093	371	315
E.P.T.....	21,210	37,501	3,650	8,166
Other Inland Rev.	80	60	20	...
Total Inland Rev.	110,842	134,306	11,721	18,544
Customs.....	44,701	51,505	14,927	16,016
Excise.....	44,200	49,800	5,041	7,809
Total Customs & Excise.....	88,901	101,305	19,968	23,825
Motor Duties.....	2,826	1,617	782	602
Canadian Govt. Contribution.....	22,472	...	...	...
Post Office (Net Receipts).....	5,500	2,100	1,500	1,700
Wireless Licences.....	270	300	...	...
Crown Lands.....	160	140	...	...
Receipts from Sundry Loans.....	401	672	7	327
Miscell. Receipts.....	8,289	7,779	1,341	1,269
Total Ord. Rev.	239,661	248,219	35,319	46,268
SELF-BALANCING P.O. & Brdcastg.	8,950	10,150	1,250	1,450
Total.....	248,611	258,369	36,569	47,718

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to May 8, 1942	April 1 to May 9, 1943	Week ended May 9, 1942	Week ended May 8, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	54,065	55,790	2,135	2,121
Payments to N. Ireland.....	653	671	327	336
Other Cons. Fund Services.....	278	267	...	...
Total.....	54,996	56,728	2,462	2,457
Supply Services.....	506,215	565,265	76,300	98,700
Total Ord. Exp.	561,211	621,993	78,762	101,157
SELF-BALANCING P.O. & Brdcastg.	8,950	10,150	1,250	1,450
Total.....	570,161	632,143	80,012	102,607

After increasing Exchequer balances by £40,210 to £2,812,075, the other operations for the week (no longer shown separately) raised the gross National Debt by £55,657,830 to £17,238 million.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 7th and May 13th. (Figures in brackets are par of exchange.)

United States. \$ (4.828) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4.868) 4-43-47; mail transfers 4-43-47. **Switzerland.** Francs (25.224) 17-30-40. **Sweden.** Krona (18.159) T.T. 16-85-95; bank notes at Bank of England, 17-40 kr. **Argentina.** Peso (11.46) 16-95-17-13; not quoted from April 27 onward. **Dutch West Indies.** Florin (12-11) 7-58-62; mail transfers 7-58-64. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** 94-02-04; 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 Office.** Spain. Peseta 40-50 (Official rate);

Finance

NET ISSUES (£ thousands)	200
P.O. and Telegraph.....	4
Overseas Trade Guarantees.....	9
Anglo-Turkish Armaments.....	213

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Treasury Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England		
1942						
May 9	950.0		Not available			
1943						
Feb. 6	1010.0		" "			
" 13	1000.0		" "			
" 20	990.0		" "			
" 27	980.0	1829.7	230.1	24.7	1000.5	4065.1
Mar. 6	975.0		Not available			
" 13	975.0		" "			
" 20	975.0		" "			
" 27	975.0		" "			
Apr. 3	975.0		Not available			
" 10	975.0		" "			
" 17	980.0		" "			
" 24	990.0	1867.2	203.8	1043.5		4104.5
May 1	1005.0		Not available			
" 8	1020.0		" "			

TREASURY BILLS

Date of Tender	Amount		Average Rate of Allotment %	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1942				
May 8	75.0	143.8	75.0	20 0-73
1943				
Feb. 12	75.0	141.6	75.0	19 11-85
" 19	75.0	152.7	75.0	19 11-93
" 26	75.0	172.8	75.0	19 11-86
Mar. 5	75.0	161.7	75.0	19 11-68
" 12	75.0	164.5	75.0	20 0-29
" 19	75.0	169.9	75.0	20 0-58
" 26	75.0	157.4	75.0	20 1-82
Apr. 2	75.0	150.6	75.0	20 2-39
" 9	80.0	164.3	80.0	20 2-57
" 16	85.0	159.2	85.0	20 2-77
" 23	90.0	183.1	90.0	20 2-85
" 30	90.0	167.0	90.0	20 0-17
May 7	90.0	179.0	90.0	20 0-39

On May 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 36 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. £90 millions of Treasury Bills are being offered on May 14th. For the week ending May 15th, the banks will be asked for Treasury deposits to the 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 1951-53	
	£	sh.	£	sh.	£	sh.	£	sh.
Mar. 30.....	5,630	2,507	9,864	9,468				
Apr. 6.....	6,484	2,695	19,059	8,783				
" 13.....	6,434	3,170	11,885	19,581				
" 20.....	6,933	3,128	9,569	13,775				
" 27.....	5,221	1,531	4,000	6,391				
May 4.....	5,450	1,945	7,619	12,506				
" 11.....	...	...	18,581	22,964				
Totals to date	786,353	567,292	118,260	283,123				

* 180 weeks. † 123 weeks. ‡ 24 weeks. || Including all Series. Interest free loans received by the Treasury up to May 11th amounted to a total value of £56,059,195. Up to Apr. 24th, principal of Savings Certificates to the amount of £103,272,000 has been repaid.

46-55 (Voluntary rate). Turkey. Piastres 520. Italy. 71-25 lire.

Market Rates.—The following rates remained unchanged between May 7th and May 13th:

Egypt. Piastres (97½) 97½-100. **India.** Rupee (18d. per rupee) 17½-18½. **Belgian Congo.** Francs 176½-1. **China.** National \$ 2½-3d. **Iran.** Rl. 128-130. **Special Accounts** are in force for Chile, 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 May 7th and May 13th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½% 3 months

BANK OF ENGLAND RETURNS

MAY 12, 1943

ISSUE DEPARTMENT

	£		£
Notes Issued :		Govt. Debt...	11,015,100
In Circ.	951,591,159	Other Govt.	
In Bank: De-		Securities ...	988,019,665
partment....	48,650,559	Other Secs...	955,575
		Silver Coin...	9,660
		Amt. of Fid.	
		Issue	1,000,000,000
		Gold Coin &	
		Bullion (at	
		168s. per oz.	
		fine).....	241,718
	1,000,241,718		1,000,241,718

PROVINCIAL BANK CLEARINGS

	£ thousands		Aggregate from Jan. 1 to	
	May 1942	May 1943	May 1942	May 1943
Working days:	6	5	109	108
Birmingham	2,614	3,249	48,182	47,309
Bradford	1,395	1,297	42,127	37,783
Bristol	2,833	763	43,432	15,144
Hull	834	523	15,340	12,307
Leeds	1,026	1,115	22,443	22,268
Leicester	805	997	16,671	16,853
Liverpool	4,785	6,543	90,468	81,968
Manchester	11,715	13,741	232,799	232,689
Newcastle	1,281	1,784	29,868	28,098
Nottingham	464	549	9,199	9,541
Sheffield	970	1,330	17,336	19,447
Southampton	61	119	2,281	2,592
12 Towns	28,798	32,010	570,146	524,099
Dublin*	6,389	5,701	126,210	132,439

* May 2, 1942, and May 1, 1943.

OVERSEAS BANK RETURNS

BANK OF CANADA		Million Can. \$	
ASSETS		April 1942	Mar. 1943
		1942	1943
† Reserve: Gold		285.2	0.3
Other		613.5	998.0
† Securities		998.0	1026.2
LIABILITIES			
Note circulation		510.8	707.9
Deposits: Dom. Govt.		115.0	17.2
Chartered banks		244.6	247.1
† Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.			

U.S. FEDERAL RESERVE

Million \$'s		May 1942		April 1943	
12 U.S.F.R. BANKS	RESOURCES	May 1942	April 1943	May 1942	April 1943
		7	22	6	6
Gold certifi. on hand and		20,494	20,275	20,259	20,256
due from Treasury		20,807	20,670	20,662	20,655
Total reserve		298	354	358	352
Total cash reserves		2,436	6,329	6,347	6,531
Total U.S. Govt. sec.		2,454	6,355	6,385	6,560
Total bills and adv.		24,389	28,852	28,786	28,948
LIABILITIES					
F.R. notes in circ.		8,877	12,970	13,068	13,158
Excess int. bank res.		2,690	2,340	2,280	2,130
Mr. bank res. dep.		12,444	12,318	12,149	11,090
Govt. deposits		376	471	443	722
Total deposits		14,253	14,162	14,002	14,099
Total liabilities		24,389	28,852	28,786	28,948
Reserve ratio		90.0%	76.2%	76.3%	75.8%
BANK AND TREASURY RESOURCES					
Monetary gold stock		22,703	22,482	22,472	22,473
Treasury & bank currency		3,291	4,008	4,099	4,014
LIABILITIES					
Money in circulation		11,845	16,500	16,593	16,683
Treasury cash and dep.		2,569	2,707	2,677	2,967

RESERVE BANK OF INDIA

Million rupees		May 1942		April 1943	
ASSETS		May 1942	April 1943	May 1942	April 1943
		1	9	16	23
Gold coin & bullion		444	444	444	444
Rupee coin		294	145	137	164
Balances abroad		585	809	745	802
Sterling securities		2,469	4,676	4,936	4,936
Ind. Govt. rup. sec.		1,382	1,455	1,296	1,277
Investments		85	56	56	54
LIABILITIES					
Notes in circ.: India		4,167	6,632	6,694	6,734
Burma		295			
Deposits: Govt.		212	310	272	310
Banks		471	470	468	470
Reserve ratio		63.5%	76.2%	79.0%	78.7%

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s		Feb. 1942		Feb. 1943	
ASSETS		25	8	15	22
		1942	1943	1943	1943
Gold and stg. evch.		22.30	32.47	34.43	34.05
Advances to State		32.39	30.66	34.22	34.22
Investments		4.15	4.46	4.46	4.46
LIABILITIES					
Bank notes		25.46	29.96	29.89	30.03
Demand liab.: State		12.16	11.98	13.88	15.40
Banks and others		21.72	24.21	28.32	28.57
Reserve to sight liab.		38.8%	18.9%	47.6%	47.3%

SOUTH AFRICAN RESERVE BANK

Million £'s		Mar. 1942		Mar. 1943	
ASSETS		1942	1943	1943	1943
		12	19	26	26
Gold coin and bullion		48.23	62.82	64.21	65.16
Bills discounted		0.45	8.92	8.19	6.81
Invest. and other assets		61.98	78.43	80.35	81.15
LIABILITIES					
Notes in circulation		28.92	38.43	38.13	39.06
Deposits: Government		13.98	11.13	11.73	12.78
Bankers'		51.96	90.73	92.57	91.66
Others		5.10	4.74	5.67	4.83
Reserve ratio		45.9%	43.5%	43.7%	44.1%

BANK OF PORTUGAL

Million escudos		Nov. 1941		Nov. 1942	
ASSETS		1941	1942	1942	1942
		19	4	11	18
Gold		1329.4	1381.2	1381.2	1381.2
Balances abroad		1650.4	3100.4	3152.7	3152.7
Discounts		326.8	249.2	246.9	243.5
Securities		329.4	354.8	354.8	354.8
LIABILITIES					
Notes in circulation		3886.8	5095.3	5107.6	5138.3
Deposits: Government		475.5	1701.9	1748.7	1782.7
Bankers'		2203.9	9409.1	9419.7	9416.4
Others		294.0	393.4	391.9	366.8
Foreign commitments		257.5	235.5	235.5	235.5

MONTHLY STATEMENT OF BALANCES OF LONDON CLEARING BANKS

APRIL, 1943		Bancays Bank Ltd.		Comit & 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		27th	27th	28th	28th	20th	20th	20th	20th	28th	28th	27th	27th	28th	28th	27th	27th	28th	28th	29th	29th	19th	19th	Rate	
ASSETS		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£		
Coin, Bank Notes and Balances with the Bank of England		71,677	3,603	15,251	5,125	67,580	17,714	83,464	4,787	48,377	50,250	7,039	374,867												
Balances with and Cheques in course of collection on other Banks in Great Britain and Ireland		18,650	707	3,582	1,696	17,848	4,380	22,198	225	16,474	19,179	3,577	108,516												
Items in Transit		17,554	3,228	4,986	7,299	24,435	6,094	27,119	7,887	18,608	19,588	5,498	142,296												
Money at Call and Short Notice		38,360	1,604	10,562	1,056	19,319	5,179	17,509	905	17,596	15,756	579	128,425												
Bills Discounted		206,500	4,500	36,000	7,000	172,500	41,500	224,500	1,000	124,500	129,500	16,000	963,500												
Treasury Deposit Receipts		211,696	13,755	54,061	21,149	205,441	59,612	230,284	19,912	137,764	158,497	24,583	1,136,754												
Investments		159,165	9,714	22,072	8,893	131,142	30,301	156,352	14,344	108,055	103,607	12,745	756,390												
Advances to Customers and other A/cs.		16,226	1,151	3,138	5,529	19,996	7,873	13,584	348	9,747	12,721	2,329	92,642												
Liabilities of Customers for Acceptances, Endorsements, etc.		7,912	405	1,425	695	6,810	2,870	8,845	525	6,972	4,990	922	42,371												
Bank Premises Account		6,220	...	...	...	3,779	...	8,426	...	2,514	2,993	...	23,933												
Investments in Affiliated Banks and Subsidiary Companies		753,960	38,667	151,077	58,442	677,016	177,860	792,281	49,933	490,607	517,081	73,272	3,780,196												
Ratio of Cash to Current, Deposit and other Accounts		10.09	10.14	10.74	10.05	10.71	10.93	11.12	10.55	10.45	10.35	10.34	10.57												
LIABILITIES		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£		
Capital Paid up		15,858	1,000	2,977	1,060	15,810	4,160	15,159	1,500	9,479	9,320	1,875	78,198												
Reserve Fund		11,250	1,000	2,976	850	10,000	3,700	12,910	1,170	8,500	9,320	1,000	62,676												
Current, Deposit and other Accounts		710,626	35,516	141,985	51,003	631,198	162,105	750,628	45,382	462,881	485,702	68,068	3,545,095												
Acceptances, Endorsements, etc.		16,226	1,151	3,138	5,529	19,996	7,873	13,584	348	9,747	12,721	2,329	92,642												
Notes in Circulation		...	...	...	...	12	22	...	1,533	...	18	...	1,585												
		753,960	38,667	151,077	58,442	677,016	177,860	792,281	49,933	490,607	517,081	73,272	3,780,196												

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.	†Aus- tralia	†N.Z.	†Australia	†N.Z.	†Aus- tralia	†N.Z.	
T.T.	Ord. Mail	Air Mail	Ord. Mail	Air Mail	Ord. Mail	Air Mail	Ord. Mail	Air Mail	
	(£)	(£)	(£)	(£)	(£)	(£)	(£)	(£)	
Sight	126 1/2	126 1/2	126 1/2	126 1/2	125 1/2	124 1/2	124 1/2	123 1/2	124 1/2
30 days	127 1/2	127 1/2	126 1/2	126 1/2	...	...	124 1/2	123 1/2	124 1/2
60 days	127 1/2	127 1/2	127 1/2	127 1/2	...	...	124 1/2	123 1/2	124 1/2
90 days	128 1/2	128 1/2	127 1/2	127 1/2	...	...	125 1/2	125 1/2	124 1/2

Since April 7, all bills on Australia will be purchased at sea mail rates only. Bills will be 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.) Demand, 126 1/2; 30 days, 127 1/2; 60 days, 127 1/2; 90 days, 127 1/2. (N.Z.) Demand, 125 1/2; 30 days, 126 1/2; 60 days, 126 1/2; 90 days, 127 1/2 (plus postage). † Any Mail.

Colombia	•	Open market sight selling rate 175 pesos per 100 U.S. \$ on Mar. 17th.
Ecuador	•	Official sight selling rate 14-10 sucres per U.S. \$ on April 16th.
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 5-03 1/2 cordobas per U.S. \$ (excluding 10 per cent tax).
El Salvador	•	Sight selling rate New York 2-50 colones per \$ on Mar. 15th.
Venezuela	•	Sight selling rate New York 3-35 bolivares per U.S. \$ on Feb. 25th.
Peru	•	Sight selling rate 6-50 soles per U.S. \$ on April 5th.
	•	Official exchange controls are operative in these countries.

OVERSEAS BANK RATES											
Changed				From	To	Changed				From	To
				%	%					%	%
Amsterdam	June 28	41	3	2 1/2		Madrid	July 15	35	3	4	
Athens	Mar. 10	41	5	5		Montreal	Mar. 11	35	5	24	
Belgrade	Feb. 1	35	6	5		Oslo	May 12	40	4	3	
Berlin	April 9	40	4	3 1/2		Paris	Mar. 17	41	2	1	
Brussels	Jan. 25	40	2 1/2	2		Pretoria				3	

alone for ever. From every corner of Europe there goes up the desperate cry of "Hurry! Hurry! For the love of civilisation, hurry!" Nor are all the arguments the negative ones against delay. For the first time, there are positive hopes for early and decisive action. For the first time, the glowing vision of early victory is beginning to come above the horizon. It cannot yet be seen very clearly; it may yet prove to be a mirage; but at least, and at last, the vision is there. There is a possibility of victory in Europe this year, if the United Nations are given skill and luck to add to their new found superiority in weight of metal. With such a glorious argument for haste, and with such certain penalties for delay, it would be a crime and a folly to turn aside now. While the defeat of Japan (as the Prime Minister has pointed out) would not mean the defeat of Germany, the defeat of Germany would infallibly mean the ruin of Japan. And if the greater prize is the nearer attainment, the choice should be clear, however hard its consequences. Whatever can be done against Japan should be and doubtless will be done. In estimating what they can do, each of the United Nations should re-examine its own contribution. Those who would gain most from a concentration of effort in Europe, but who are not yet doing their utmost against Japan, can properly be asked to reconsider their policies. But the main weight of the blow in 1943 must still be directed towards Berlin.

The German nightmare has always been of a war on two fronts. This year, the least that Hitler can count on is war on three fronts, and there may be four or five. The first front is in Russia. Whether it is the Russians or the Germans who open the attack, the next few weeks will show. Whether the tide of war will move east or west is as yet uncertain. But one thing is as clear to Hitler as the crack of doom—he will have to expend in Russia this year more scores of divisions, more thousands of tanks, more millions of men, not one of which he has to spare. Russia is, even on the most favourable of his calculations, a running sore far more exhausting to him than ever Spain was to Napoleon. And, if the calculations of history should not favour him, he has an excellent chance of losing the war outright on the steppes this year.

The second front is in the air over Germany. Hitherto, bombing from the air has not played a decisive part on either side since Warsaw and Rotterdam. Sober observers have doubted whether it could ever be raised to such a pitch as to become a major factor in the grand strategy of the war. It has not yet reached that point; an article on a later page suggests the conclusion that the German will to war is not yet breaking under the hail of bombs. But the scale of the raids, together with what can be learned of their effect, begins to justify the belief that bombing *could* be almost decisive. The heavy bomber force of the RAF is still a long way from its peak, and the weight of the blows it will be able to deliver will increase all through the summer. Apart from the mass raids, there is a growing effectiveness in the special stabs against transport, such as the Mosquitoes are daily delivering, and against key points in the German industrial structure, such as the brilliant exploit against the Möhne and Eder dams. The RAF Bomber Command will be a very formidable weapon indeed in six months' time. And behind the RAF there is the potentially even heavier weapon of the American Air Force. So far, American bombing has been a disappointment. The layman knows nothing of the technical arguments for day and night bombing; but he judges by results, and there cannot be any doubt that Hitler is not being wounded by the American bombers nearly as much as by those of the RAF. This will presumably change. Whatever technical reason has held the Americans back (for of their spirit and ability there can be no doubt) and confined their attentions to the outer rim of German Europe, the time has now come to slip the leash. With American bombs added to British, with every part of Germany receiving the Ruhr treatment, he would be a bold man who would continue to maintain that nothing can be decided by bombing.

The third front is in the Mediterranean; its base is on the Tunisian springboard. The whole world—the Axis world with particular anxiety—is asking Where Next? Very properly, they are being kept guessing. There is not a spot on the southern coastline of German Europe from Port Bou to Dedagach where the blow may not fall. Possibly there are still some clearing-up operations in the Central Mediterranean to be undertaken as the last preliminaries; but it is certain that an Allied invading force will be on the Continent of Europe this summer, and equally certain that it will be the most heavily armed, armoured and equipped force the world has ever seen. This great triangle of retribution is the bid for early victory. With massive blood-letting in Russia, with his industry and transport and his people's endurance strained to the limit, with bombs dropping by day and by night on these stretched nerves, and with an armoured sword thrust directed at his heart—can Hitler stand off all these enemies?

He has still another anxiety. His only significant European ally is failing him. The spotlight, these last few days, has been on Italy, and the most far-reaching rumours are coming out of that unhappy land. It is said that the King has abdicated, that the Duce leads no more, that the Germans are withdrawing their troops, that a plea for peace is only a matter of days. It may be so—or it may not. The Italian people have never had their heart in the war, and there can be little doubt that, if they think they see a way out of it, they will not be held back by love of their allies. But it is not Hitler's way to surrender a valuable position and if, *per mirabile*, it should turn out that he is allowing the Italians to make terms, the United Nations would be well advised to ask themselves where the catch is.

To get Italy out of the war—if this hypothesis can be further pursued without risk of wishful thinking—would be an enormous psychological victory and a very substantial real convenience. But there would be other consequences also. The limiting factor on an Allied offensive anywhere in the Mediterranean area is, and will remain, transport, and every move in that area, military and diplomatic, must be seen against the background of shipping. If the United Nations' strategy calls for an advance on Berlin by way of Rome and Milan, then naturally the military commander will have to take account of the needs of Italy and the Italian people; the administration of his back areas is always a heavy, but a necessary, burden on the general. But if—as geography would suggest—the blow is to be directed either east or west of the Alps, then the wisest course will be to accept the minimum of commitments in the Italian peninsula. There is a danger lest the very praiseworthy desire to have no more Darlan deals should lead the United Nations to refuse to accept even the unconditional surrender of any Italian Government emerging from the present regime and themselves to undertake responsibility for administering and supplying the country. This is a trap. Every administrator sent out is one less fighting man. Every ton of food or coal is one less ton of military supplies. If Italy is needed as a battleground, well and good; but if not, the Allied interest is to turn it as nearly as possible into a No Man's Land. To supervise the re-education of the Italian people will be one of the tasks of the peace settlement; but it is not in the Allied interest, while the war still rages, to lift from the shoulders of the Fascist regime the responsibility for a period which, whether Italy is in the war or not, cannot be other than one of humiliation, frustration and hunger. The precedent of the Allied deal with Darlan must not be followed; but the precedent of Hitler's deal with Pétain shows how a conqueror can best serve his own advantage in the interval before the war is over.

The object of the campaign is Berlin. The proof of Mussolini's abject failure is that he has made his country a pawn in the calculations of both sides. It would be a great mistake, before the war is over, to treat Italy as anything else.

Cheap Money for Ever?

IN his Budget speech, the Chancellor of the Exchequer nailed the flag of cheap money to the mast. "It is the Government's intention," he said, "to maintain its present policy of cheap money after the war for that purpose [reconstruction and development] as well as in the interests of the Exchequer itself." This is emphatic enough to leave very little room for doubt about official intentions. But the City appears to be less sure. For the past few weeks, and especially since the publication of the two international currency plans, with what was thought to be their emphasis on the future rôle of gold, there has been a distinct softness in gilt-edged prices. Doubts about the indefinite continuance of present interest rates are being canvassed, and though there is little questioning either of the willingness or of the powers of the authorities to maintain "cheap money," it is being asked whether this phrase necessarily means interest rates as low as at present.

To any discussion of the prospects of cheap money, three questions are fundamental. Is cheap money desirable? Is it possible? What will its wider consequences be? The first question—that of its desirability—is, in these days, little more than rhetorical. There is very widespread, even if not quite unanimous, agreement that the basic cause of unemployment is the under-investment of its savings by the community, and that cheap money is a very powerful stimulus to investment. Indeed, all that needs to be said here in answer to the first question is to add two footnotes to the statement that cheap money is certainly desirable. The first footnote is that the answer is given with reference to the conditions of twentieth-century Britain, whose major economic problem is to find investments for her savings, and that it may not be equally true of other countries with other problems. The second footnote is that not all of the consequences of cheap money are favourable. If low interest rates are to be perpetuated, both the saving habits of the people and the terms on which financial institutions (especially life assurance offices) can do business will have to be adjusted; to give only one example of the consequences, saving for old age will become more difficult just when it is becoming socially more necessary. These implications should not be forgotten; but they are not sufficient to upset the main conclusion. For present-day Britain there need be few qualms about the desirability of permanently cheap money. There is, of course, some room for dispute about the scope of the policy. To be fully effective, cheap money must percolate to the farthest corners of the economy. But if the rate of interest in the gilt-edged

market and the money market can be held down, three-quarters of the battle will have been won.

Can cheap money be attained? It was secured continuously for seven years before the war, a period when there was, it is true, heavy unemployment, but when the rate of economic progress was at least as fast as in any recorded period of the past. Any contention that cheap money cannot be secured and maintained has to run the gauntlet of establishing that the conditions of the future will be substantially more difficult than those of 1932-39.

It must, of course, be conceded at the outset that, though there may be periods when cheap money will happen by itself, there will be other periods when it will be attainable only with the assistance of financial and economic controls. These controls will need to be of two sorts, foreign and domestic. The chief external measure required will be an exchange control on exports of capital. Such a control, however, is conceded by both the American and the British currency plans, and Lord Keynes told the House of Lords this week that it could be made effective without such obnoxious devices as a postal censorship. Exchange control of capital movements will almost certainly be needed in any case as a protection to the currency, apart from its cheap-money aspects—though the precise nature of the control needed is not the same for the two purposes. A second external consideration is that, if cheap money is to be maintained, there cannot be any adhesion to an international currency system which would impose the necessity of an increase of interest rates in order to correct a disequilibrium in the balance of payments. This is the point that has been causing doubts in the gilt-edged market in recent weeks. But the fears seem to be based on a misapprehension. The American plan, it is true, is not very explicit on this matter; but the British plan mentions the various steps that a deficit country might be called upon to take, and the raising of interest rates is not among them. On the foreign side, then, the maintenance of cheap money would require only such controls—or such absence of commitments—as are already in existence or in general contemplation. It would not require anything in the nature of financial autarky or anything more severe than the exercise of a reasonable oversight on the financial relations between countries.

The need for controls on the domestic use of capital funds would, in most years not arise at all. In most years, almost by definition there is a shortage of investment projects, a tendency for savings to be in excess of the possibilities of using them, and these are not the conditions that are likely to lead to any difficulty in keeping interest

£12,500,000 damage to the War Effort
last year from ordinary fires

Half the fires in the country are
caused by matches and cigarette ends.

**MOST FIRES ARE CAUSED
BY 'CAREFUL' PEOPLE**

Don't just be careful—take EXTRA care

rates low. The price of money is like other prices in that it tends to rise only when the demand exceeds the supply. There will, however, be times—and if full employment is attained they will be more frequent—when there is a “shortage of money,” and it is these times that provide the crux of the whole argument. Not many people dispute that cheap money both can and should be maintained for, say, five years out of every eight. But there are some who argue that interest rates should be allowed to rise—and perhaps cannot be prevented from rising—in the remaining three years. If interest rates do not tend to rise until investment is tending to exceed savings, and if the same circumstances that cause the rise also cause full employment, is there any harm in permitting it to happen? And may it not be an effective instrument for preventing an excess of investment, with its inflationary effects?

This is an arguable contention, and to deal with it fully would require a lengthy digression into economic theory. It can be agreed that if, when the point of full employment is reached, an inflationary situation is to be prevented from developing, some restraint will have to be placed on the volume of investment, and if dear money does not fill that rôle something must be put in its place. The two great disadvantages of effecting the necessary control by dear money are, first, that it is a heavy-handed method which discourages necessary and beneficial investment equally with the unwelcome excess, and secondly, that every period of dear money leaves behind it a certain legacy of high-interest obligations which obstruct the ensuing period of renewed cheap money. On balance, it would seem desirable to secure the necessary control by the more direct methods of licensing capital issues and, if that is not enough direct licensing of capital expenditure, such as is exercised during the war. The adjustment

of the rate of taxation on company reserves would also be a powerful weapon for the same purpose. It should be freely admitted that the whole case for cheap money stands and falls by the question whether these controls would be effective and tolerable.

This leads directly to the third main question, that of the wider consequences of cheap money. If it leads to inflation, it will be disastrous. If it leads to the maintenance, in time of peace, of controls as extensive and irksome as those of wartime, it will be equally disastrous. Fortunately, there is no reason to anticipate either disaster. It has already been pointed out that there will be no need for any domestic controls in most years. If the object is to maintain an absolute rigidity of interest rates, then some form of control might be needed for about three years out of every eight. But there is no reason to seek complete rigidity. Some elasticity is entirely reasonable. A regime in which the yield on consols fluctuated between, say, 2½ and 3½ per cent, and the Treasury Bill rate between, say, 1 and 3 per cent, could still be accounted one of cheap money. If so, control in any irksome form would, on past precedent, be needed only for very short periods, such as six months at the peak of each cycle. This would not seem to be an excessive price to pay for the benefits of cheap money.

In summary, then, for an economy such as that of Britain promises to be in the next few decades, cheap money is both a desirable and a practicable programme. It will involve some management, some “purposive direction” of the financial markets. But the degree of control will be small, far smaller than may be necessary in some other directions. And the benefits to be expected, both in maintaining employment and in facilitating a steady and rapid growth in the capital equipment of the community, will be very great.

Behind the Lines

THE Nazi press has not taken the loss of Tunisia too tragically. What they say in substance is that last November and December, the German people faced a devastating crisis. The British and Americans had attacked in Africa, the Russians were advancing in the east. The question was whether this would become a gigantic pincer movement, from south and east. By superhuman efforts, the Germans hurled the Russians back across the Donetz and turned the Allied offensive in Africa into a long and costly delaying action which gave the Axis time to put its European citadel in order. Now, they claim, the fortress is impregnable. Its resources are totally mobilised, thousands more workers have entered the war factories, the million men claimed by the General Staff has been released to the army. Recruiting among the peoples of Europe is going on briskly. The six months' delay in Africa has made it possible to build “total” defences along the shores of Europe. If the Allies attempt an invasion—which, the papers point out, they must do if they are not to lose the war—they will be driven back with murderous loss. The Frederickian period of the offensive-defensive has opened. Secure in their fortress, the Axis defenders will watch their enemies bleed and the hostile coalitions disintegrate.

This is the picture painted by the German press. It is almost the exact opposite of the kind of Europe which press—and cinema—have succeeded in creating in the British mind. Occupied territory swarms with spies and terrorists. The German armies of occupation and their *quisling henchmen* walk in hourly terror of sudden death. The new call-up has disintegrated Germany's war economy. Thousands of workers are going slow, indulging in unofficial strikes, throwing spanners into engines and sugar into petrol. Eight million foreign workers in Germany are a vast Fifth Column in the heart of the state. The bombing raids have wrecked the morale of the German people. In the mountains of Savoy and of the Balkans, in the forests of Poland, guerrilla bands are

waging incessant warfare against the Axis rear. Italy is virtually out of the war. Hitler's fortress is a pack of cards. Let the Allies only fill their lungs for a final blast and they can blow the thing down.

Where lies the truth? Obviously somewhere between these two extremes—but the state of Europe is hard to gauge, for the observer is not dealing with a static situation. If on balance it seems that the German view is nearer to reality than the popular picture in Britain, this is true only of the time at which the evaluation is made. By the next day, it may have been falsified by the dynamics of an obviously revolutionary situation.

It must be conceded to the British picture that acts of individual terror have greatly increased. As if to celebrate the anniversary of Heydrich's assassination in the Protectorate, Polish patriots have now settled accounts with his counterpart in Polish occupied territory. Wilhelm Krüger took office a year ago. He was the chief of the Gestapo, the SS, and the SA in occupied Poland; and in this capacity he was directly subordinated to Himmler and exerted more influence even than the Governor-General, Frank, himself. Thus he was the man behind the indescribable horrors of the German terror in Poland—and particularly the mass slaughter of the Jews. The assassination of Krüger testifies to the efficiency of the Polish underground organisation, for the doers of the deed have not been caught; and the fact that the secret organisations announced in advance the names of the Nazi dignitaries who are under sentence of death is an interesting sign of their self-confidence.

At the other end of Europe, in Norway, an extensive hunt for saboteurs in the southern mountain district of Hardangervidda has just ended without any spoils for the hunters. In Holland, Seyss Inquart introduced martial law on May 1st. Among its provisions are the death sentence for strikes, lock-outs, hostile propaganda by written or spoken word. A curfew is in force. The police have orders to shoot at sight on any group of more than

five people collecting in a public place. In Bulgaria, a series of highly placed officials—General Lukov, Sotir Janev, President of the Foreign Affairs Committee of the Sobranje, Dimitrov, a Bulgarian officer attached to the *Luftwaffe*, and most recently, on May 2nd, Colonel Pantev, the former chief of police—have been murdered, all of them for their Axis sympathies. On May 3rd, Sofia was under a two-day state of siege, during which the police and the military garrison combed the silent city, arresting more than a thousand people on the suspicion of terrorism and sabotage. Attacks on the German army—usually with grenades—appear to be the most widespread form of terror in France.

Evidence of economic sabotage is fairly widespread. The Germans have been compelled to introduce a complete system of railway guards in France. Since, however, they have had to call on the French to supply the guards, it is hardly surprising that the sabotage continues. Derailments and collisions are most frequently reported. The Czech workers are another group of inveterate saboteurs. There is news of more executions for sabotage in the Protectorate than in any part of occupied Europe. The Danes have a peculiar penchant for fires. Nearly all the reported sabotage from Denmark takes the form of arson. Behind all the more sensational activities is the permanent, strictly unpatriotic but very effective sabotage of the peasants who refuse to sell their food to the towns in return for devalued currency.

This atmosphere of terror and sabotage is a heavy burden for lonely soldiers and harassed administrators. There have been a number of reported cases of suicide. Nervous breakdowns do not usually get into the headlines, but the strange case of M. Willems, the Rexist mayor of Liège, is worth recording. Shortly after the murder of the Rexist mayor of Charleroi, a horrified official discovered M. Willems sitting stark naked on his desk, pouring ink on his head and proclaiming that he was a geranium. M. Willems was accorded the security of a strait waistcoat. Considering the fate of his fellow mayor, this may have been his object.

Inside Germany the bombing raids are having their effect. The dislocation in Essen, Stettin, Dortmund and Duisburg after the attacks has been reflected in the instructions, appeals and orders issued to the citizens in the daily press—where to get emergency rations, where to go if completely homeless, apologies for unavoidable delays and breakdowns, mobilisation of all citizens for the work of clearing up, evacuation plans, evidence of a very serious housing shortage, appeals for more nurses, the execution of looters. With the bombing go the casualty lists; with them, the silent, oppressed behaviour of the men on leave from the eastern front where war is no longer *frisch und froehlich*.

If morale seems to be weakening in Germany, in Italy it seems almost non-existent. The trouble is Ansaldo's old enemy—apathy. Even now the Italians cannot be made to care. There are no reports of sabotage, no acts of terror. But this is not support for the regime so much as inability to take any action at all. The reorganisation of the Fascist Party under Scorza is a desperate attempt to whip some life into the tired horse, whose one instinct is to lie down. “Italians, learn to hate,” cries Gayda, backing his plea with atrocity tales against American pilots—the machine-gunning of women and babies at Grosseto, the dropping of explosive fountain-pens to maim little children. Even the prospect of invasion does not seem to mean much more to most Italians than a chance of getting out of the war.

All this is reported fact. If it were all, then the British picture of occupied Europe would not be too fanciful. It is not all. Against the sensational individual acts of terror must be set the millions who are working and living quietly and doing as they are told. All over Europe a great majority of the Nazi officials and *quislings* are going about their business unmolested. In spite of strikes here and there and occasionally, as in Holland, a genuine movement of resistance, the mobilisation of foreign workers has been successful. The Germans have

got the men. In particular, every occupied country has been stripped of its skilled technical workers. Even direct recruiting for the armed forces has had some success. To the old anti-Bolshevik legions, Hitler has added a new invention, a bunch of new SS brigades, for recruiting in special districts. These brigades have the status and prestige of the *Waffen SS*, and although some of them—SS *Croatia* for example—are being recruited for home defence, others—the SS *Prinz Eugen* in Danubia, the SS *Galicia* in Ukraine and Galicia (and possibly, since the Polish graves episode, in Poland)—will fight on the eastern front. It is very difficult to say whether Goebbels' use of the Bolshevik bogey has helped in the new recruiting drive, but it has probably had some effect in Poland and in the Baltic fringe, where the Germans have a new *quisling* in General Vlassos.

It is easy to exaggerate the effects of bombing. The chief industrial target has been the Ruhr. But the Ruhr contains less than one-fifth of Germany's industrial capacity and only about one-third of its coal and steel output. The key industries of the war effort are further to the east—the new steel works at Salzgitter, the greatest centre of tank production at Fallersleben, the chemical works at Leuna, Halle and Leipzig, the synthetic oil industry in the Sudetenland, the new industrial developments in Upper Silesia and Southern Poland. It can be argued, too, that concentrated bombing has not the effectiveness it could have, if it were coupled with dispersed bombing, both of places and in time. The weakest link in the German system is not this or that factory or even this or that industrial area, for there is doubling and overlapping everywhere. The weakest points are the administrative machine and the transport which hold the bloated system together. If the RAF could be over key administrative cities for long hours every night, robbing harassed civil servants of their sleep, and if the attacks on railways, bridges, canals and dams could be extended right across the continent, and carried out with the same skill and daring as the sensational RAF raids on the Möhne and Eder dams, then the bombing would rapidly increase the brittleness of the system. Ideally, concentrated and dispersed bombing should go together. Meanwhile, the effects of the short smashing raid can be over-estimated in terms both of material damage and of morale.

Neither the fighting spirit nor the fighting power of the Germans is breaking yet. In some ways, the first felt chance of defeat has stiffened them. There was more apathy when the victories seemed to win themselves. The defences of Europe have really been made formidable during these winter months, when thousands of workers in the Todt Organisation have slaved along the Atlantic and Mediterranean coasts of France building up defences in depth equipped with the heaviest artillery. The Germans claim that Dieppe and St. Nazaire gave them invaluable experience of what was needed. For the last months, the civilian population has been steadily evacuated from the coastal regions of Normandy and Brittany. Bayonne and Bordeaux are also affected. Part of Marseilles has been cleared. Recently the first general evacuation order was issued for the Riviera.

The fortress of Europe is very strong, stronger than many of Hitler's enemies suppose. It cannot be breached except at tremendous cost. There will be no disintegration from within until the blows from without are far more devastating and sustained. Yet the foundations are set on shifting ground. Let Hitler lose another million men in the fighting and this time no mobilisation, however much more “total,” will make good the gap. Let the combined forces of the RAF and the USAAF launch a non-stop, widespread air offensive, and the nerves and will-power of the German people as well as the sinews of the German war effort will give under the strain. Let the Allied invasion strike strongly and swiftly enough to establish effective bridgeheads, and the “individual terror” of recent months will spring to general guerrilla fighting and then to formal war. At every point, vigorous Allied action can be the catalyst of a wholly new situation behind Hitler's lines. But there will be no change without it.

Personal Incomes

PREVIOUS articles in this series have dealt with national income in the aggregate and with the distribution of total national expenditure between consumption, Government activities and provision for capital—that is, they have dealt with the general shape of the national economy as a whole, and with the way in which it has been moulded by war. The White Paper also, however, contains information on the distribution of the total national income among the individuals who compose the community. It is possible to give the distribution of the national income in two separate ways—first, according to the *nature* of individual incomes (*e.g.*, whether they are derived from profits or from wages) and, secondly, according to their *size*.

The first table shows the division between the different kinds of income, both in money terms and in percentages of the total net national income. These figures include income going to companies and other impersonal bodies:

	1938		1942	
	£ mn.	%	£ mn.	%
Rent of land and buildings	381	8½	384	5¼
Profits and interest	1,241	27½	2,183	29½
Salaries (including pay and allowances, in cash and kind, of officers)	1,081	24	1,408	19
Wages (including do. of other ranks)	1,787	40½	3,409	46½
Net national income at factor cost	4,490	100	7,384	100

Wages and the composite item of profits and interest (which, unfortunately, cannot be divided) have increased their share of the total at the expense of rent and salaries. What is of greater interest than this subdivision, however, is the *incomes accruing to persons*. To arrive at this, rent, profits and interest going to corporate bodies must be taken out of the above figures and the so-called “transfer incomes”—that is, incomes such as old age pensions or social insurance benefits, which are not paid out in return for any current contribution to the national output and are therefore not included in the net national income—must be added. This is done in the next table, where the 1942 figures are shown both in 1942 pounds and also in terms of 1938 pounds (*i.e.*, adjusted for the rise in the market price of consumers goods between 1938 and 1942).

PERSONAL INCOMES (£ million)			
	1938	1942	1942 in 1938 pounds
Property income (rent, profits and interest) accruing to persons	1,515	1,811	1,249
Salaries, etc.	1,081	1,408	971
Wages, etc.	1,787	3,409	2,351
Transfer payments	278	268	185
Total	4,661	6,896	4,756

The difference between the first and last columns must not, of course, be interpreted as representing the actual change in the consumption of the different classes. For one thing, direct taxation has to come out of these incomes before they can be spent at all; furthermore, the consumption goods do not exist in sufficient measure. But it does represent changes in what may be called the value-in-terms-of-consumption-goods of the different types of gross incomes. Measured in this way, wages alone have increased by 31.6 per cent. Salaries have fallen by 10.2 per cent, property incomes by 17.6 per cent, and transfer incomes by 33.4 per cent. The last-named fall is entirely due to the virtual cessation of unemployment, but the other three changes, taken together, denote a real change, produced by the war, in the social structure.

The way in which personal incomes are expended is shown, by percentages, below:

	1938	1942
	%	%
Consumption (at factor cost)	77.7	58.3
Taxation (including accruals)	17.4	28.8
Savings	4.9	12.9
	100.0	100.0

Finally, it is possible from the White Paper to give figures for the different sizes of incomes. Unfortunately, these figures are available only for a twelve-month comparison between the financial years 1940-41 and 1941-42. The following table shows, for each income-group in each year, (a) the total number of incomes in that group, (b) the average gross income (*i.e.*, before tax), (c) the average net income (*i.e.*, after income tax and surtax) and (d) the value of the average net income in 1938 pounds*. Since this last column includes the effect of indirect taxation as well as of direct, it is a close measure of the real value-in-consumption of the average income.

Size of gross income	No. of incomes in group	Average gross income	Average net income after tax	Average net income in 1938 pounds
£		£	£	£
250-500	1940-41 3,295 1941-42 4,450	325 335	298 286	241 208
500-1,000	1940-41 770 1941-42 1,050	670 652	535 471	432 343
1,000-2,000	1940-41 250 1941-42 285	1,380 1,400	980 860	791 626
2,000-10,000	1940-41 97 1941-42 97	3,710 3,710	2,030 1,760	1,640 1,280
Over 10,000	1940-41 8 1941-42 8	21,250 21,250	6,000 4,375	4,850 3,180

Unfortunately, it is not possible to give similar figures for the “under £250” group, since it is not known how many incomes are in this group. But, since the total number of incomes enumerated above increased from 4,420,000 to 5,890,000 in a year, it is almost certain that the number of incomes below £250 diminished. But the total amount of income falling to this group actually increased slightly after tax. It is, therefore, highly probable that the average real income in this lowest group was higher even after full allowance for increased taxation and higher prices.

Moreover, the figures of the £250-£500 group are very remarkable. Well over a million persons, on balance, entered this group in the year, most of them presumably from below. Nevertheless, the average gross income rose by £10 and the average net income in 1938 pounds fell by only £33. Furthermore, 280,000 persons crossed the £500 line. These are astonishingly large changes for a single twelvemonth. The impression they leave is that there can have been very few people who started the period with incomes of less than £500 who did not, over the year, increase their real incomes even after the increases of taxation and the rise in prices. In short, the wage-earners were, in the fullest sense, better off in 1941-42 than in 1940-41—except that they could not in fact spend all of their increased incomes. By contrast, the position of the four upper groups was very different. The reduction in a single year in the real value of the average income was 20.6 per cent between £500 and £1,000 (doubtless affected by an inflow at the lower end), 20.8 per

* The rise in market prices of consumption goods above 1938 was 20 per cent in the calendar year 1940, 35 per cent in 1941 and 45 per cent in 1942. For the financial years 1940-41 and 1941-42 ratios of 24 per cent and 37½ per cent respectively have been taken.

cent between £1,000 and £2,000, 22.0 per cent between £2,000 and £10,000, and 34.8 per cent over £10,000. Moreover, these reductions followed on very heavy cuts in the earlier years of the war. Thus the average very rich man with a gross income of over £10,000 enjoyed a net income of about £10,500 in 1938. By 1940-41, rises in taxation and prices had reduced this, valued in 1938 prices, to £4,850, and in 1941-42 there was a further fall to £3,180—that is, to less than a third of the 1938 figure.

These figures confirm what observation has long suggested—namely, that the wage-earners of the country

have not merely increased their share of the national income, but also the absolute real value of their incomes during the war, while virtually all those with incomes over £500 have lost, some of them very heavily. Something of the same sort happened in the last war, and its effects were, in greater or less degree, permanent. It is very likely that the same course of events will take place on this occasion, and that the wage-earner after the war will be both absolutely and relatively better off than before. If so, the two wars will between them have effected a social revolution of major dimensions.

NOTES OF THE WEEK

Peace Terms

A document on the principles of a peace settlement with Germany has been issued by a “Post-War Policy Group” of Conservative Members of both Houses of Parliament under the chairmanship of Sir John Wardlaw-Milne. The suggested terms (which are too long for adequate summary) include the complete and indefinite occupation of Germany; its complete disarmament; the dismantling of the German aviation industry and the closing down of the heavy and chemical industries “to the extent to which they are the basis for the production of munitions”; the punishment of war criminals; the separation of East Prussia and the Rhineland; the transfer of populations; supervision of German radio, printing and education; restitution of looted property; payment of compensation for damage done; payment of occupation costs; and prohibition of loans to Germany. These are severe terms; if carried out in their entirety they would make a peace far harder than Versailles and impose on the victorious nations a burden of supervision and vigilance that would be both severe and long continued. It may be that this will be the right course to follow; on that point minds in this country are not made up. But it is well to be quite clear that this course, if it is followed, will dismiss to the Greek Kalends any possibility of a genuine reconciliation with the German people, now or in the future; that it will impose on the victors, and especially the British people, a very large military establishment and very heavy taxation, and a correspondingly heavy burden of political and economic controls at home. All these, no doubt, the British public, in its present mood, would be ready to undertake if it were convinced of their rightness and necessity. But an even more essential requirement is that the British public, once it enters on this course, should be ready to hold to it without wavering for at least two generations, without any fits of indifference or remorse or blindness or sloth. To impose terms that will outrage every German, and then after five years to let Germany go its own way, is the one sure way to disaster.

This makes it necessary to examine very closely the credentials of the men who put this policy forward. They belong to the Tory party and to its conservative wing. Not a few of them vociferously supported the policy of appeasement, and denounced as warmongers those who warned of what was to come. It would be difficult to find among them any who made themselves notable for advocating leniency to Germany when it was still a democratic country, or who incurred Mr Chamberlain's displeasure by echoing Mr Churchill's voice when it still cried in the wilderness. It was notorious after the last war that the “hard-faced business men” who urged a peace of retribution on Mr Lloyd George were the first to yield to Nazi propaganda and ask pity for the poor German. The prophecy may be ventured that persons with the general preconceptions of the present signatories will, after this war, be the first to call for a cutting of commitments and a reduction of controls—the commitments and the controls without which their present policy could not be carried out. It may be that the British people will bring themselves to assume and to persist in heavy burdens and responsibilities for the maintenance of peace in Europe. But there is every

sign that they would prefer not to be pushed into such a policy by the appeasers. *Non tali auxilio nec defensoribus istis.*

Instrument of Policy

“I have endeavoured to pursue a policy which has paid regard to the general economic position rather than to purely revenue considerations.” This claim by Sir Kingsley Wood in the debate on the second reading of the Finance Bill on Tuesday is a fair description of the system of war economy by which a combination of taxation, savings, rationing and the physical restriction of supplies has been pressed into service for the mobilisation of national resources for war purposes with the minimum of hardship to civilians. The most important speeches in the debate were devoted to a demand that the same broad conception of financial policy should be applied to post-war tasks. Sir George Schuster epitomised this demand when he said that Sir Kingsley Wood had the chance of being

the first Chancellor who had the courage to face the problem of how the complex mechanism of direct taxation could be adapted so as to provide, not only a means for the fair distribution of the national income, but also a guide and incentive for progressive development of British industry.

The plea of Sir George Schuster and Mr Benson—significantly enough a Labour Member—was that existing methods of assessing and taxing industrial profits should be amended in order to stimulate the research, development, re-equipment and replacement in British industry that is essential if the economic position and the standard of life of this country are to be maintained and improved in the post-war period. The Chancellor pointed out that the post-war credit of 20 per cent of the Excess Profits Tax which is intended to be used for the modernising of business after the war is already accumulating at the rate of £40 million a year (though he did not add, as he might have done, that the firms to which it is accruing are very haphazardly selected); and that the Board of Inland Revenue is conducting a detailed investigation into the treatment for tax purposes of profits which are not distributed but used for development and extension. Both Sir George Schuster and Mr Benson claimed, rightly, that the need to use taxation as an instrument of progressive industrial policy will be paramount after the war, when rates of taxation will remain high and “the need will be greater than ever before for British industry to be progressive, adventurous, inventive and flexible.” The caveat entered by Mr Benson is important.

It is not merely enough to protect industry from a high rate of taxation. . . . If undistributed profits are to receive differentiation in their favour, it must be because they are used in the national interest. . . . Unless an increase in depreciation allowances leads to more rapid replacement of obsolete plant, it will merely be a gift to industry without any corresponding advantage to the community.

Sir Kingsley Wood seemed more concerned with the level of post-war taxation than with its effects.

One of our post-war aims must certainly be to keep the total burden of taxation as low and reasonable as is consistent with proper provision for all those national services and projects which have a just claim upon the Exchequer. He scouted the idea that, because taxation is “merely a means of redistributing the national income,” its burden is

therefore made "more congenial" to the individual taxpayer. The advocates of a positive taxation policy, on the other hand, were willing to accept the fact that the standard rate of income-tax will probably not fall below 7s. 6d. in the measurable future. Their concern was rather to see taxation assessed and collected in such a way as to put a premium on enterprise and initiative. Mr Benson proposed that profits genuinely ploughed back into industrial development should be given a differential advantage of as much as two-thirds of the rate of taxation, and that depreciation allowances should be contrived to induce industrial undertakings to scrap old plant as soon as possible. These proposals, which are of course familiar, touch the heart of taxation's role in the peace effort, which can be as effective and comprehensive as in the war effort itself. There are other devices which might be adopted for freeing enterprise while taxing incomes to the top of the nation's need; for instance, the procedure under EPT by which losses are balanced against profits over a period might conceivably be capable of extension to other branches of direct taxation in the cause of encouraging risk-taking. The case for fostering the re-equipment of British industry with all possible speed is unchallengeable, and the time to work out ways and means is before peace breaks out.

Panacea

The second half of last Tuesday's debate in the Commons on the Finance Bill was devoted to a demand, supported by the names of 70 Members, that the Chancellor should tax land values. The demand is not new. The belief that the taxation of land, "which increases in value without any effort on the part of the owner," is capable of providing a solution for all fiscal and social problems, is associated with the name of Henry George. At least one Chancellor, another George, has striven for the prize. But, as Mr Lloyd George found a generation ago, the assessment of any such tax is much more difficult, and its yield is very much smaller, than the "single tax" programme of Henry George. It is fantastic for Mr Stokes, the leader of today's land taxers in the Commons, to suggest that the taxation of land values would bring in an *additional* £500 million every year in revenue. The fact that landowners already pay taxes—direct, indirect and death duties—is apparently overlooked; they have no hoard set aside; all the taxes they pay, whatever their name, must come out of the same pocket. In no degree, of course, should landed income or landed wealth be exempt from the full rigours of taxation, and "unearned increment" should indeed be pounced upon, wherever it arises. But the fact is that the contribution to be made by land taxes has consistently been, and still is, vastly exaggerated. The real aim is to see that no citizen, whatever the source of his income, should be free from the obligation to pay taxes to the hilt according to his ability; to ensure by every device that additional land values do not, in the first instance, accrue to individuals at all from the operations of the community; and to make certain, as the Uihwatt recommendations propose, that the claim of landowners to these increments does not obstruct the planned use of the nation's land in the nation's interest.

Keynes on Bancor

As the other peers who took part were quick to acknowledge, the chief interest of the debate in the House of Lords on the currency plans lay in Lord Keynes's maiden speech. And the chief interest of that speech lay in the points that Lord Keynes selected for emphasis. Some of these were familiar, though all the better for their repetition with authority: the way in which the British scheme would effectively prevent international hoarding; the absence of any intention to re-create any undesirable exchange rigidity; the practical possibility of effecting a synthesis between the British and American plans. Two of Lord Keynes's points, however, related to features of the plan that have been less widely understood. The first of these is that the "principal object" of the British plan is "to provide that money earned by selling goods to one country can be spent on purchasing the products of any other country. In jargon, a system of multilateral clearing. In English, a universal currency valid for trade transactions in all the world." The Schachtian connotations of "clearing" are so familiar that the very opposite intentions of the British plan are worth emphasising. Secondly, Lord

Keynes made it clear that the object of the British proposals is not "to make the United States the milch cow of the world in general and of this country in particular." "The plan," he said, "does not require the United States, or any other country, to put up a single dollar which they themselves choose or prefer to employ in any other way whatever." Both Houses of Parliament have now debated the plan; and both debates have advanced the prospects of eventual agreement.

Unitas and Gold

One passage in the Chancellor of the Exchequer's speech during the Commons debate on the American and British currency plans deserves a wider commentary than it has yet received. Referring to the American plan, Sir Kingsley Wood said:

There is another difference—and this may prove to be a radical one—that the international unit of account, which is called *unitas*, is not an independent world currency, but a unit of gold value; therefore, it is convertible into gold both ways. This means that gold may purchase *unitas*, and that any holder of *unitas* may require gold in place of it at the rate established by the fund.

The Chancellor might well have been at more pains to avoid the obvious misconception to which his words gave rise. The text of the American plan devotes considerable space to describing the composition and working of the proposed Stabilisation Fund. It is to be created by contributions from the member nations of gold, currencies and Government securities. From this Fund member nations are to have the right of acquiring foreign currencies (not gold) when needed to settle their deficit balances. Thus, though the Fund is to be held partly in gold, it is not true that any member may "require gold" from it. Not unnaturally, many people took the Chancellor's reference to *unitas* to be a reference to the Fund, and were puzzled to reconcile his statement with those of the American plan itself. But further research, assisted by enquiry from those in a position to know, reveals that the Fund is one thing, and that *unitas* is another. All the above provisions, and much else besides, are contained in the first three chapters of the American plan. *Unitas* does not make its appearance until chapter IV. Section 1 of that chapter declares that "the accounts of the fund shall be kept and published in terms of *unitas*." But Section 3 provides that "deposits in terms of *unitas* may be accepted by the Fund . . . upon the delivery of gold to the Fund, and shall be transferable and redeemable in gold or in the currency of any member country at the rate established by the Fund. The Fund shall maintain a 100 per cent reserve in gold *against all unitas deposits*." It would thus appear that *unitas* is two things: first, it is a unit of account for a fund which consists of gold, currencies and securities. But, secondly, the words placed in italics in the above extract show that it is also intended to be a sort of international currency, freely convertible into or out of gold, and backed by a 100 per cent gold reserve. The Chancellor's remark referred to, and is true only of, this second meaning. The Fund proposed in the American plan would therefore have a double function. In serving its main purpose of providing means by which countries can meet their deficits—in its "current account" business, so to speak—it operates, in the main, in local currencies, not in *unitas*, which serves only as a unit of account. In its additional functions—its "deposit account" business—*unitas* is an international currency so closely linked with gold as to be almost identical with it.

The Distribution of Food

There was a certain air of complacency about Mr Mabane when he presented the estimates of the Ministry of Food. It can be forgiven him, for by and large the public is pleased with Lord Woolton and his Department. There may be complaints in detail: the supply of meals off the ration in restaurants is one. But to those who can remember the last war, when there were sharp differences in the supplies available between one part of the country and another, when quality was poor and prices were high, the overall standard of the people's diet to-day, near the end of the fourth year of war, is remarkable; and it is worth noting that for this the public thanks, not the Ministry of Agriculture and the farmers, but the Ministry of Food. Even in the case of fish, it was quick to see where the blame for the initial failure of the zoning scheme lay.

Ninety-five per cent of the complaints received by the Ministry, said Mr Mabane, were directed at the trade. The cost of providing a steady flow of necessities at stable prices has been high. The amount spent on subsidies alone, according to Mr Mabane, was £145 million in the year to March 31, 1942. Bread, flour and oatmeal cost £35 million; meat, £23 million; potatoes, £23 million; milk, £11 million; eggs, £13 million; sugar, £16 million; national milk and milk in schools schemes, £17 million; and tea, milk products, bacon and other small items, £12 million. In addition, there is the unknown cost of the Ministry itself, with its huge staff. In wartime, the prevailing scarcities make the public overlook the cost of the machine in its anxiety to secure the food, just as it prefers the paraphernalia of rationing, with registration and restriction, to buying where and what it pleases. But if the Ministry of Food continues after the war—as it is hoped it will, for its peacetime functions could be just as important as its wartime ones—it will not be able to rely on so smooth a passage as it is having at present. The time will come when the public will be able and anxious to call the tune.

Milk

Since there was little to discuss on the major aspects of the distribution policy of the Ministry of Food, most speakers in the debate concentrated on matters of detail—in particular, on the question of milk. There were complaints of the new distribution scheme, that it was squeezing out the small retailer, and that it led to the bulking of tuberculin tested milk with ordinary milk. The Ministry was also asked to introduce the compulsory pasteurisation of milk without delay. But no speaker commented on the significance of Mr Mabane's statement that, if the consumption of milk were "on the same level as before the war, there would be no need to limit the entitlements of anyone throughout the year." Thus the restriction of the ordinary consumer to two pints of milk throughout the winter months is not due to any fall in production. This means that if the wartime increase in consumption by the priority classes is to be maintained after the war, as it should be in the interests of the nation's health, there will have to be a considerable rise in production to allow the non-priority consumer as much milk as he wants, and ought to have, throughout the year, especially if the manufacture of milk is to be restored to its normal level. Is the post-war plan for British farming taking into account this need for a big rise in milk production? And is it aiming to secure it merely by higher prices to farmers? The average price paid to producers, according to a recent parliamentary answer, was 29.91d. per gallon in February this year, compared with 14.87d. in February, 1939. The average retail price has only risen from 27.50d. to 35.63d. in the same period, but at the cost of £11 million a year in subsidies. Moreover, the retail price has long been recognised as far too high for a foodstuff so important as milk, and to bring it down to the level at which it is sold to expectant mothers and children under the national milk scheme would cost many millions more if the present prices paid to farmers and the existing structure of distribution are to be maintained. It is highly important that all milk should be clean and free from infection. But, above all, it should be plentiful and cheap.

The Russian Front

The campaigning season in Russia started some time ago; yet on the fronts the lull continues. A comparison between May, 1942, and May, 1943, shows curious differences. About this time last year, Marshal Timoshenko launched his offensive on Kharkov; and the slogan then was "Victory in 1942." This time the Russians are extremely non-committal. But behind this non-committal attitude there is much more real and solid confidence than there was last year. This is reflected in the quiet but systematic way in which the Russian Air Force has been carrying out large-scale bombing behind the enemy lines, a feature that was completely absent in the preparatory stage of last summer's campaign. Raids have been made on both the close and more distant communications and bases of the enemy; their range has extended from Briansk and Orel to Kiev and Gomel, and to Königsberg and Warsaw. There is still no indication of the intentions of the Soviet High Command—bombing may serve offensive as well as de-

fensive purposes. The reported concentration of troops by both sides, by the Germans in the Bielgorod region and by the Russians around Leningrad and to the south of Moscow, gives no definite clue. Both sides have to replace losses. The Germans have in addition to fill the gap created by the withdrawal of about 10 Italian divisions and the melting away of the Hungarian and Roumanian forces. The "legions" of anti-Bolshevik volunteers from the Baltic countries cannot possibly make good these losses. The hard fighting on the Donetz and on the Kuban has been inconclusive. It seems that the Russians have not yet thrown their main infantry forces into the fighting for the Kuban bridgehead. The maintenance of this bridgehead is a costly undertaking for the Germans; and it may be that for the time being the Russians prefer to exact the full price from them rather than to destroy the bridgehead by an all-out attack.

Plain Speaking at Last

The meeting between General Giraud and General de Gaulle in North Africa has not taken place. The delay is still due superficially to disagreement about the place of meeting. General de Gaulle wishes it to be at Algiers in full publicity, General Giraud suggests a preliminary private meeting at Biskra or Marrakesh. This apparently trivial disagreement in reality goes to the root of the matter dividing the two generals. General Giraud objects to Algiers and General de Gaulle wants Algiers for the same reason—the likelihood of strong de Gaulle manifestations which would enormously strengthen General de Gaulle's position in negotiating a settlement. There is now no doubt about General de Gaulle's own solution for the divided resistance movement. It has been given by the new Council of Resistance set up in France by a Monsieur X, one of General de Gaulle's Commissioners who was sent over to France recently to give the various resistance movements a single mouthpiece. This Council, claiming to speak for the French nation, has issued the following demands: that the meeting between the two Generals must take place at Algiers "*au grand jour*," that

(1) political questions must not be excluded from the conversations; (2) that the people of France will never admit the subordination of General de Gaulle to General Giraud and demands the immediate installation of a provisional government under the presidency of General de Gaulle, General Giraud becoming military chief; (3) General de Gaulle will remain for everybody the only head of the resistance movement, whatever the outcome of the negotiations.

This statement clears the air. Although General de Gaulle has stated subsequently that he will not press for these conditions, there can be little doubt that this—the absorption of General Giraud's administration into the de Gaulle movement under General de Gaulle's political control—represents General de Gaulle's own point of view. Can General Giraud agree to this? Ought he to do so? Obviously not. It is of course true that de Gaulle is synonymous with resistance in France and to a very large extent in North Africa. General de Gaulle has mass support (this fact is discussed at greater length in an article on page 658). Next, it is true that an administration which includes—as does General Giraud's—Peyrouton, Juin and Buisson, cannot claim popular support or esteem. They were all collaborationists. What is inadmissible is the confusion made in Carlton Gardens between Gaullisme as a *mystique* of resistance and Gaullisme as personal power for General de Gaulle. Those—among them many Frenchmen—who talk of "depersonalising" the French Government are not doubting the hold General de Gaulle has on the French masses, but are concerned over the political use to which he may be tempted to put that hold. The immense importance of achieving agreement between the two Generals is not that one may supersede the other, but that both may take their honoured places within a provisional civilian authority which transcends them both.

The British Asylum

Little was expected of the official statement on the results of the Bermuda Conference, and little indeed was forthcoming. What practicable steps to help refugees to escape were decided upon are, for security reasons, to remain secret, and all that is known is the decision to extend the categories of persons in neutral countries to whom visas may be granted to those with children under 16 already here, to parents of members of the Allied

forces, and to persons wishing to join His Majesty's forces. This seems meagre enough. It certainly does little justice to the British people's compassion towards the persecuted and eagerness to help them. In fact, however, more has already been done officially than might be gathered from the results of the Bermuda Conference—far more than certain Zionists, with their insistence on the open door in Palestine, allow for. In a written parliamentary answer on April 7th, Mr Churchill gave details of the numbers who have been given asylum in the British colonies. Jamaica has 558 refugees and 1,500 evacuees from Gibraltar. Cyprus has 4,650 refugees from Greece. In East Africa, the additional population, including Italian prisoners, is 90,964, nearly three times the normal white population; in addition, 21,000 more Polish refugees are in process of being transferred from Persia. Palestine received 38,000 Jewish immigrants between April, 1939, and September 30, 1942—20,000 more than the number of legal immigrants in the same period. Since then, 858 Polish-Jewish children, accompanied by 369 adults, have reached Palestine; 3,300 Jewish immigrants, including 1,000 orphan children and 200 adults from Vichy France, will be admitted under the immigration quota for the last three months of last year; 500 Jewish children will be admitted from Roumania and Hungary, and 4,000 Jewish children and 500 adults from Bulgaria; altogether in the five-year period ending next March, Jewish children, with a proportion of accompanying adults, will be admitted up to a total of 29,000, provided transport is available. In addition, Palestine has provided a temporary refuge during the war for 4,000 people from Central Europe and Greece. India has received 1,000 Polish children and will receive 5,000 more with 5,000 Polish adults; it has also received large numbers of evacuees from the Balkans, Malta and other areas. In Britain itself, the total of refugees who were here at the beginning of the war or who have come since is 150,000, excluding those who have come as members of the Allied forces. Against the millions dying in Europe, England's exertions have not saved many lives, but she has set the example.

Restraint of Strikes

It is time for plain speaking about the sporadic strikes that have recently afflicted the transport and aircraft industries. This war has been outstanding for the political solidarity and industrial peace attained. By contrast with the last war, and with other democratic countries at war, the hours lost by strikes have been remarkably few. But these comparisons afford no excuse for the strikes that have happened and are now growing in number. The trade unions are pledged by law and agreement not to strike without due notice and formal procedure of arbitration. No strike indeed has been authorised in any industry. But "unofficial" strikes have become a habit, still very small in extent, but on the increase. The locomotive men at an outlying London depot recently chose to strike every Sunday. There has been a rash of local strikes in aircraft factories. Most recently, omnibus workers in the North, the Midlands and the Thames Valley stopped work for a time. In part these outbreaks are an index of restlessness after four years of war. Conditions of work and living are not easy. There may be grievances which should be redressed. But there should be no strikes—now less than ever before when the chance of victory is in sight if the right effort is made. Several of these strikes have, in effect, been protests against arbitral awards. Aircraft workers in Coventry have been fined £25 each for striking illegally, and the precedent should be followed elsewhere. The law's penalties are plainly stated and known. But it would not be necessary to invoke them if the authority of the unions themselves were as great as it is claimed to be. One conspicuous reason for the industrial peace that has prevailed so far has been the self-discipline of the unions and the autonomy allowed to them. Only if that discipline can be asserted in detail against irresponsible strikers can that autonomy be retained without the intervention of the courts in the national interests.

The Registration of Youth

There was perhaps a tendency, when it was first announced, to hail the registration of the 16-18-year-olds as a great social reform. The trouble is that people in this country are becoming somewhat too youth-conscious—with the result that they may turn the natural self-consciousness of the adolescent into a wholly unnatural consciousness of

his own and his contemporaries' importance. The publication of a White Paper (Cmd. 6446) on the results of youth registration should help to put the matter in a better perspective. The object of the registration was not the mass redemption of youth, but, in its own words—

to enable local education authorities to make contact with all young people of the ages concerned and to encourage them to find the best way of fitting themselves to do their duty as citizens and of assisting the present national effort.

Forty-two per cent of the 1,442,361 boys and girls between the ages of 16 and 18 who registered were already members of youth organisations or at school, and, since the interviews, it is estimated that from 60-70 per cent of all boys, and about 40 per cent of all girls in this age group, are either at school or associated with some form of leisure-time training and discipline. But the White Paper emphasises that—

it is neither possible nor necessarily desirable that all young people should belong to leisure-time organisations. . . . Many of those interviewed . . . were clearly using their leisure to advantage in a variety of individual hobbies and interests.

Others, it also points out, were already fully occupied. Here, in fact, is the real problem of youth. It is its working time, not its leisure time, that is badly organised, and Part II of the White Paper describes the steps which the Government intends to take to improve the working conditions of young people. These, it must be confessed, are not very encouraging. The restriction of working hours of the 16 and 17-year-olds to 48 a week—with exceptions—and of the 14-15-year-olds to 44 a week; the avoidance of a long journey to work; and the extension of facilities for meals in canteens—all these, though badly needed reforms, are very inadequate. It is true that the Board of Education could hardly be expected to scoop its own forthcoming Bill, but the fact remains that what youth really wants, as the White Paper itself states in summarising the reports of the local education authorities on the registration, is more and better education. The raising of the school-leaving age, and afterwards compulsory attendance at up-to-date day continuation schools for half the working week until the age of 18—it is by means such as these that the work and leisure of youth can best be improved. Youth clubs and the like, desirable though they may be, are merely relief measures. They bear the same relation to schooling as unemployment assistance bears to full employment. The best slogan for youth helpers is Full Education.

Aircraft Labour Controller

The appointment of Sir Charles Bruce-Gardner as Controller of Labour Allocation and Supply at the Ministry of Aircraft Production is not perhaps the choice one would expect Sir Stafford Cripps to make. Sir Charles' personal qualifications are not in question, nor is it disputed that his knowledge of the aircraft industry and his position as chairman of the Ministry's Production Efficiency Committee (which he will continue to occupy) will be of value in securing the most efficient allocation of labour resources to meet production requirements. But the appointment of the Chairman of the Society of British Aircraft Constructors, albeit he relinquishes that post, may be construed in some quarters as a further link in the chain connecting the Ministry with the aircraft "ring"; and for some time a section of opinion has been concerned at the extent of the influence of the "ring." Lord Sempill, in a House of Lords debate on March 25th, spoke about the Society of British Aircraft Constructors

which, while purporting to represent the aircraft industry as a whole, in fact represents the charmed circle of the elect, or what are known as the approved firms. . . . The policy of the Air Ministry, now followed by the Ministry of Aircraft Production . . . has been to give preference from the standpoint of design and manufacture to these approved firms and by so doing to maintain a ring of approved firms.

Nor is identification with the employers' side necessarily the best qualification for a Labour Controller. Sir Charles is very much the representative of industry—he is chairman of the engineering firm of Armstrong Whitworths and of the New Jarrow Steel Company; he has been connected with many branches of heavy industry and with coal-mining, and between 1930 and 1938 he was Industrial Adviser to the Bank of England. But Sir Stafford Cripps has gained many supporters, not least among the unions, for his

intolerance of inefficiency and for his policy of subordinating all considerations to that of efficient production. What is sauce for the goose in this impartial pursuit of efficiency is sauce for the gander. If Sir Stafford can claim that this appointment was necessary to his campaign, there can be no effective complaint. But it remains more essential than ever that the Ministry of Aircraft Production should not seem susceptible to the influence of the so-called aircraft ring.

Home Guard

It is no doubt due to a lack of national self-consciousness that the most remarkable aspect of Home Guard Sunday, which was celebrated a week ago, has gone unnoticed. The Home Guard, three years after its foundation, is not only a vital element in national defence—the body which frees the regular forces for offensive tasks overseas. It is also a unique expression of political unity. There could be no Home Guard in Germany, or for that matter in most other continental countries, without its rapid degeneration into a para-military formation, controlling or threatening to control the state itself. In this country, it is unthinkable that the Home Guard should become an SA or a *Stahlhelm*. It is safe to arm the people. The very suggestion that the Home Guard is an astonishing political achievement would probably cause great surprise to the average Englishman; and this surprise shows the width of the gulf which cuts him off from the political atmosphere of the European continent.

Shorter Notes

In a Note called "Design for Gilds," which appeared in *The Economist* of May 8, 1943 (page 583), a memorandum on post-war trade was criticised as though it were the programme adopted by the leather goods trade as a whole. It should have been made clear that the memorandum was

drawn up by only two members of the National Leather Goods and Saddlery Manufacturers' Association; it was not sponsored by the Association itself.

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
Total, 1942.....	3,221	4,149	7,370
1943:—			
January.....	328	507	835
February.....	252	347	599
March.....	293	439	732
April.....	172	205	377
Totals to date....	48,905	97,988	106,893

Of those killed in April, 62 were men, 83 were women, 26 were children under 16 and one was unclassified.

A White Paper (Cmd. 6443) shows that on a day in February, when the count was taken, 78.9 per cent of the children attending elementary schools in England and Wales were receiving milk under the milk-in-schools scheme, compared with 79.8 per cent in February, 1942. For secondary schools, the corresponding percentages were 59.8 per cent and 61.0 per cent respectively. Those receiving a mid-day dinner were 20.7 per cent of the elementary school children and 47.0 per cent of the secondary school children against 11.5 per cent and 37.2 per cent respectively in February, 1942. Mr Butler, President of the Board of Education, announced this week that fully equipped kitchens will shortly be available to local education authorities free of charge as part of a plan for a big expansion in the school meals service.

AMERICAN SURVEY

King Coal

MR LEWIS has decided to grant the coalowners—and the Government—a further period of grace. In response to a telegram from Mr Ickes he has extended the duration of the truce until May 31st. There are no signs, however, that he means to take any further steps to end the deadlock, which has become even more formidable in the last few days. Mr Lewis is willing to negotiate with the coalowners—if they will take the initiative; but it appears now that the War Labour Board has instructed the operators to refuse to bargain with the United Mine Workers independently of the Board, and it is precisely the Board's jurisdiction which Mr Lewis is determined to defy. It is evident that Mr Lewis is attempting to manoeuvre the Board into the untenable position of putting a mere technicality before a satisfactory settlement. He would like to obscure the issue of inflationary wage increases and what the Board, in a strongly worded statement, called his defiance of the sovereignty of the United States. There is more than a suggestion, too, of an attempt to play off the War Labour Board against Mr Ickes in the union's insistence that "the jurisdiction and responsibility lie with the agent of the government in charge of the coal mines." This authority to negotiate Mr Ickes has steadfastly denied. The Labour Board has made it clear that although the demand for a \$2 a day increase would violate the President's anti-inflation order, it would consider as legitimate subjects for collective bargaining the guaranteed six-day work week, the vacation allowance of \$50 and "portal-to-portal" pay-

ment which formed part of the original Lewis programme. A combination of these might easily raise the earnings of miners by more than the \$2 increase, but it is only too plain that such small pickings will not satisfy the ambitions of Mr Lewis. He is out to smash the War Labour Board and the stabilisation programme; to discredit the Administration and his old foe, the President; and to demonstrate that he is still the strong man of labour. There are signs that his ambitions go even further, toward a farmer-labour alignment, under Republican auspices.

This urge to power is nothing new in the story of Mr Lewis's past few years. Baulked or only partially successful in half a dozen moves to re-establish his prestige, he has now fallen back on his despotic control of the United Mine Workers. The loyalty to him of some 600,000 miners is very great, and it is reinforced by the startlingly autocratic provisions of the Mine Workers' constitution. These provisions reflect the violent and brutal history of organised labour in the mine fields. Company towns, company-dominated police, complete lack of scruple on the part of the owners demanded an equal authoritarianism in union organisation and the most militant qualities in a labour leader. Both have persisted past their period of greatest usefulness, although it is still true that the miner more than other workers feels that his only safety is in his union. Thus the president of the UMWA has the power to interpret the union constitution; he controls the funds—and those of the UMWA exceed \$6 million; he can suspend

or remove any union officer, and he can even instal provisional officers in any district. It is some explanation of the miners' obedience that last year 20 of the union's 31 districts were under the control of "provisional" officers appointed by Mr Lewis, and that ten Lewis relatives hold union posts connected with the UMWA. This is a patriarchal despotism.

Mr Lewis has the power to determine the date of union Conventions of the Union—the only occasions on which his policies could be overruled or his powers curtailed. In view of the repeated signs of uneasiness and dissatisfaction from the rank and file, it is unlikely that a Convention will be held before the end of war. Protests against the disaffiliation from the CIO and requests for the right to elect their own officers have been disregarded. The anthracite strike early this year was a roundabout expression of disapproval of the policies and dictatorship of Mr Lewis. It is obvious, however, that it is not mere machinery and manipulation which prevent the miners from turning Mr Lewis out or lead them out of—or back into—the mines at the crook of his little finger. The conditions of life in a mining town have led to strong bonds of loyalty to the union, and Mr Lewis himself commands affection and admiration for his qualities of leadership, of intransigence and of daring. As was said of Cleveland, his followers love him for the enemies he has made, and the violence of the attacks on him reinforces his power not only with the miners but with the submerged everywhere in the United States. Nor is it forgotten that he has quadrupled the strength of the union since 1932, and that it was his imagination and drive which created the CIO and broke the steel companies' resistance to organised labour.

The devotion of the miners has been tested, and not found wanting time and again since Mr Lewis's break with the President in 1940. Mr Lewis, it should be remembered, was only a fair-weather New Dealer. He was a Republican before 1932, a conservative labour boss. Whether his falling out with Mr Roosevelt was due to disappointment over not having received some more signal recognition of his support, whether it was due to genuine differences over foreign policy or to an inability to work in harness, he supported Mr Willkie's candidacy in 1940, and rashly promised that if Mr Willkie lost he "would accept the result as being equivalent to a vote of no confidence." Mr Lewis stuck to his promise. He resigned from the presidency of the CIO, for whose origin he and the UMWA funds were largely responsible. This was only a face-saving gesture, however, and probably Mr. Lewis imagined his absence would be only temporary. Since then he has been using every device in his armoury to regain his pre-eminence.

Breach with the CIO

For a time he persisted in efforts to undermine his successor, Mr Murray. These efforts culminated in the abortive and disreputable scheme to arrange a coalition between the CIO and the AFL behind the back of Mr Murray and other progressive labour leaders. This move was promptly scotched, and in the "labour cabinet" subsequently formed to assist President Roosevelt, Mr Lewis and his AFL confederate, "Big Bill" Hutcheson, were ostentatiously omitted. Defeated and discounted within the CIO, it was only a matter of time before Mr Lewis led the Mine Workers out of the federation, with small loss of membership, it is true, but without taking with him the other unions he had hoped to detach.

In isolation Mr Lewis has not been idle. Before his break with the CIO, District 50 of the UMWA had been busily engaged in organising an ill-assorted group of workers ostensibly, if sometimes remotely, connected with coal—those in coal-derivatives such as gas, coke, chemical works, plastics and cosmetics. According to the *New York Times*, District 50 was admitting workers from firms making "corn cures, floor wax, toothpaste, hair-wave preparations, disinfectants, roofing and headache remedies." There was no competition in these trades, and it was estimated that there were about a million potential members awaiting organisation. In 1941 the building trades were invaded—the great preserve of the AFL. The most spectacular move, however, took place just as the UMWA left the CIO and broadened its constitution to admit workers of any description.

This was the attempt to organise dairy farmers, and is of peculiar interest in view of Mr Lewis' recent identification of the interests of the miners with those of the farm bloc. It must be said, however, that the attempt to organise the farm provoked more smoke than fire. After a few initial

successes the hostility of the farm organisations, the rural suspicion of anything to do with unions, and the opposition of the Department of Agriculture seem to have succeeded in choking off any aspirations Mr Lewis and his daughter Kathryn (in charge of District 50) may have had toward securing three million new members and a fresh \$20 millions in revenue.

The tough organisers of the United Mine Workers have been called, with some justice, John Lewis's Commandos. The jurisdictional disputes have been endless, particularly with the CIO, despite Mr Lewis's pious assertion that he had no intention of poaching. Among the trades in dispute have been lumber and furniture, retailing and wholesaling, automobiles and aircraft, as well as the railways. There is little evidence, however, that the very considerable expenditure of money and time has paid any substantial dividends. In fact, the tide seems to have moved the other way. Two-thirds of District 50's membership recently petitioned for a charter from the CIO, and their President, Mr Wagner, also a deserter from Mr Lewis's fold, declared dramatically:

We will not permit this man to build a personal empire of organised gas, coke, and chemical workers to turn over, like a medieval king, to his daughter Kathryn. . . . I predict that . . . daughter Kathryn will find that the Union Daddy gave her as a plaything has gotten up and walked away.

A Third Federation?

A more promising means of building up a rival labour federation may lie, however, in the small independent unions with which the American scene is littered, and in which Mr Lewis has been said to be taking an interest. In part, the existence of these independent unions is due to the size and sectionalism of the country, but their numbers have been greatly augmented by the reform of the company unions which were established by management as an antidote to the organising tide which swept the United States in the early days of the New Deal. In accordance with the provisions of the Wagner Act, these unions have cut their ties to the managements; the most obnoxious features have been eradicated from their constitutions, and they may well be ripe for organisation into a larger body. Unfortunately, their leadership has proved in many cases to be irresponsible, and public opinion has been alienated by a series of industrial disturbances.

To a much greater extent, the same result has followed all Mr Lewis's manoeuvrings and bludgeonings. The failure of the AFL-CIO "peace" move and constant reports of jurisdictional warfare have convinced the public of the irresponsibility of the labour movement as a whole, and of its inability to put its own house in order. Each one of the Lewis campaigns has created more confusion, more division, and more bitterness—muddy waters in which there may be good fishing for one man, but at excessive cost to the war production programme, and to the possibly irreparable damage of the standing of organised labour with the country.

The campaign to transform the UMWA into a third labour federation has been accompanied by an increasing hostility to the Administration, and there is little doubt that any organisation Mr Lewis may create will be a willing hand-aid to the Republican opposition. In his lukewarmness toward the war effort—both in speech and in his feeble co-operation on production problems—Mr Lewis has few sympathisers; but his attacks on the Administration's "bureaucrats," on the inefficiency of the price control mechanism, and on the handling of wage disputes, are grist to the Republican mill, while his defence of the prerogatives and superior wisdom of Congress is equally acceptable.

He has, in particular, been increasingly venomous about the "toadyism" of the AFL and CIO leaders toward the Administration, and the present strike threat is designed, as much as anything, to prove that strong-arm methods still work, and that he is the man to get the wage increases, in defiance of all authority. If he is successful, the prestige of the AFL and CIO must fall, in some degree, even though they attempt to follow suit. There appears to be brewing, however, a greater design than the mere rehabilitation of Mr Lewis as a labour czar. In a speech in April he declared:

The economic position of the farmer and the miner at the outbreak of this war was very similar—far below base parity level. The wage increase in 1941 to the mine workers and the increases which have come thus far to the farm population have been insufficient to put them on a parity with the earning standards of other classes. For this reason the mine workers are in full sympathy with the attempt of the farm population to secure compensating legislation in Congress, represented by the Bankhead and Pace bills, which have recently encountered Administration opposition.

There have been rumours of a working alliance between Mr Lewis and the farm bloc. This appears to confirm it. A combination between two of the most rapacious pressure groups is likely to be fatal to the stabilisation programme. It may affect even more menacingly, however, the 1944 elections, and the post-war set-up. At best, the additional confusion and deterioration of the domestic front cannot but have an unfortunate influence on the quality of American participation in the post-war world. At the worst, Mr Lewis may throw his great personal influence toward the resurgence of an isolationist policy. The volcano that so many observers thought extinct is showing alarming signs of explosive possibilities.

American Notes

The Reciprocal Trade Bill

The importance of Secretary Hull's reciprocal trade programme is, by common consent, more symbolic than actual, and it follows that the action that Congress takes on the renewal Bill is of less importance than the manner of its taking. If so, it is possible to derive a certain encouragement from the way in which the House of Representatives passed the Bill. The final 6 to 1 vote in favour of the Bill as a whole is, of course, less significant than the rejection of the crippling amendments; but these were all rejected by substantial majorities, and the only amendment to be carried was one reducing the period of the renewal from three years to two. This ensures that the subject will come up again in the first months of the next Congress and of the next President; but it is obvious that the whole issue will, in any case, arise again after the elections. Indeed, it is the policy to be pursued after those elections—and more particularly the policy that the Republicans will pursue if they win the elections—that is of major interest. This is where the mild encouragement comes in. No Republicans, it is true, voted against the crippling amendments, but only half the party strength voted for them. That does not provide a sure guide to future policy; but at least it does not leave the matter in the unfortunate state it would have been if the vote of the House had been on such solid party lines as that of its Committee. The Bill now goes to the Senate, whence the policy will be delivered over to the electors.

Crack in the Ceiling

This week has produced what may prove to be the first crack in the wage ceilings established under the President's anti-inflation order. Mr Byrnes, the Director of Economic Stabilisation, has issued a directive slightly broadening the powers of the War Labour Board to grant wage increases. There is restored to the Board its power to adjust wages in order to correct sub-standard living conditions or "to aid in the prosecution of the war or correct gross inequities." Such adjustments, however, must be contained within the existing price structure, and increases which would increase production costs, or increase ceilings must still receive Mr Byrnes' approval before they become effective. In Mr Byrnes' view, this constituted a "reaffirmation" of the "Little Steel" formula. The Executive Board of the CIO has, with some reason, issued a statement declaring that it does not understand the new directive. What both the CIO and the AFL are demanding is that the Labour Board, which has not been unsympathetic to their claims, should be given final authority to determine wage disputes and that Mr Byrnes' restraining hand should be removed. The immediate purpose of the order would appear to be to grant the Board more latitude in its dealings with the coal dispute—should Mr Lewis ever be brought to judgment. But it also looks as though this were a crack through which the other labour bodies might eventually be able to push their demand for a "real wage" formula, which would allow increases to compensate for all changes in the cost of living instead of the limited 15 per cent granted by the "Little Steel" formula. It is noteworthy that the unions, in computing real wages, wish to consider wage rates alone and disregard the effects of overtime on earnings. Possibly by attention to earnings instead of wage rates, the Board might be able to work out a formula which would slow down, if it did not eliminate, inflationary wage increases. It is plain that some fundamental revision in the formula is inevitable. The crack is only a tiny one now, but Samson Lewis seems to have succeeded in bringing down the Temple.

Opening the Closed Shop

The open shop has become so synonymous with industry's anti-union prejudices, and has been such anathema to the Administration, that American commentators are finding a delicious irony in the recent suggestion of the National Labour Relations Board that Mr Kaiser's closed shop be thrown open. The circumstances, it is true, are unusual. The parties to the dispute, which is of long standing, are the AFL and the CIO. The facts, according to the CIO's Mr Murray, are that Mr Kaiser entered into a closed-shop agreement with the AFL before there were any employees in one yard or virtually any at the others. At a recent hearing in Washington, Senator Ball suggested that only 66 employees were involved when the agreement was signed. If this is true—and there seems no reason to doubt it—an unkindly light is thrown on the much-vaunted Kaiser labour policy. The National Labour Relations Board, which exists to guarantee to labour the right to be represented for collective bargaining purposes by a union of its own choice, and should not be confused with the War Labour Board, which handles wage questions, has offered to dismiss the case if the AFL and Mr Kaiser are willing to make the yards "open shops"—a step which would facilitate their organisation by the CIO. The AFL, naturally enough, has refused to do so, and Mr Green has demanded that the NLRB be instructed to keep its hands off inter-union disputes for the duration. The opportunities afforded by NLRB elections to the rank and file to indicate their union preferences are, it appears, occasionally as distressing to their labour bosses as to their employers. Inter-union raiding no doubt causes some confusion, but Mr Green's pious insistence that the war production programme would be best assisted by tolerating contracts such as that signed with Mr Kaiser can hardly be accepted at its face value.

Death and Taxes

The old saying that nothing is as inevitable as death and taxes seems likely to be disproved if the day-to-day farce of the Ruml plan debate continues to postpone consideration of this year's tax Bill. Already Congress is far behind last year's belated schedule. The newest gyrations follow the statement of the President that he could not acquiesce in a Bill which would forgive a year's taxes to wealthy taxpayers while the mass of the people had to pay more. The House thereupon defeated the Senate version of the Ruml plan—the third time the scheme has been voted down. Mr "Muley" Doughton, chairman of the Ways and Means Committee, declared triumphantly "We have killed it. As long as Franklin Roosevelt is President of the United States it will stay dead." The Ruml plan, however, seems to have the proverbial nine lives and it will be surprising if it does not bob up again. Consideration now returns, apparently, to the House compromise, the Forand-Robertson Bill which "forgives" 90 per cent of the taxpayers, by wiping out the normal tax and first bracket of surtax. Why the Treasury and the Administration have chosen to make such a first-class party issue of Mr Ruml's ingenious device is hard to understand. Perhaps the difficulty lies in the word "forgiveness" which misrepresents the facts of the case. Such forgiveness would be purely theoretical to most taxpayers. Only those, whether rich or poor, who happened to have larger incomes in 1942 than in 1943 would be "forgiven" anything, and it should surely not be beyond the powers of the Treasury and Congress to hedge about the scheme with provisions to avoid windfalls and to secure the Treasury its due as wealthy taxpayers die off. Instead a great political issue has been created out of very little, apparently because of the Treasury's refusal to retreat from its first position. The anxiety of Mr Morgenthau to see work begun on the new Tax Bill would be better served by a speedy settlement of what is, after all, only a subsidiary problem.

SUN LIFE ASSURANCE COMPANY OF CANADA

(Incorporated in Canada in 1865 as a Limited Company)

SPECIAL ANNUITY PLANS

Write for particulars to H. O. Leach (General Manager for British Isles)
141 SUN OF CANADA HOUSE, PAUL MALL EAST, LONDON, S.W.1

THE WORLD OVERSEAS

L'idée Gaulliste

(By a Correspondent)

LIKE nature, the political life of a nation abhors a vacuum. *The Economist* described last week how the *Révolution Nationale* has vainly tried to fill the void left in France after the Third Republic. The collapse of French parliamentary democracy has been followed by the failure of Pétain's pseudo-authoritarian regime. The vacuum is now being filled by what may be called the *mystique Gaulliste*. The political outlook of General de Gaulle's movement has not yet crystallised. But it is clear that there is more than a shade of a difference between what Gaullisme means inside France and what it represents abroad. Outside France, General de Gaulle now stands beside General Giraud as one of the leaders of French resistance. In France itself he is, according to all available evidence, regarded by the mass of resisting Frenchmen as the leader of their national renaissance. The *mystique Gaulliste* dominates the underground press of nearly all political shades; and such clandestine organisations as have been active in the daily struggle against the Germans and Vichy seem nearly all to have rallied behind the man who on June 18, 1940, introduced himself to the French people with the words "*Moi, Général de Gaulle, actuellement à Londres*" and called on them to continue the war against Germany.

The fact that from June, 1940, to November, 1942, that is, during the darkest years in French history, General de Gaulle's name was the only symbol of France's will for survival and rebirth, could not fail to leave deep traces on France's political outlook. For the first time since the collapse of the Second Empire, one personality took an exclusive hold of the centre of the political stage within the *pays réel*. The *pays légal* was represented by Pétain. For more than two years, all the great issues of France's present and future were inseparably connected and identified with those two names. The political polarisation of Frenchmen, between those who resisted the invader and those who did not, proceeded around them; and the political evolution of the country during the armistice regime may be described as the evolution of two *mystiques*.

The French Crisis

The reappearance in such strength of personal factors and motives in French political life can be understood only against the broad political background of the crisis of French democracy. Elements of that crisis were apparent in the many social and political disturbances after February, 1934. In spite of all its drawbacks the French democratic system showed enough power of resilience to withstand the shocks of the thirties. It collapsed under the impact of military disaster. The collapse was thorough; and French democracy can recover only gradually from its consequences. On the morrow of the armistice, the traditional party system was smashed to pieces. The old lines of division lost any meaning. All social and political bodies were internally divided and split on the issue of war. The Right provided the leaders for the armistice regime; but it also had its Mandels and Reynauds. The same was true of the Radical Socialists. Inside the Labour movement Jouhaux and Blum stood for the war and for resistance; but Faure and Belin adhered to the *Révolution Nationale*. The old links were broken; and the new ones which gradually united resisting Frenchmen were of a non-political character. Only late in the day—during 1942—did the resisting elements of the old parties try to reorganise themselves according to some of the old political divisions. Even this, they did within the wider framework of the de Gaullist movement, which had in the meantime assumed solid shape.

The characteristic feature of the reconstituted political groupings, as far as one can judge from the French underground press, is the lack of moral and political self-reliance. The feeling that the old parties failed and that each of them had its share in responsibility for the military break-

down is very strong. A "sense of guilt" weighs on all attempts at the revival of the party system. This is an almost ideal background for the *mystique* of a "strong personality." A widespread longing for a Leader almost invariably grows from the people's own political weakness. Napoleon the First built his Empire on the exhaustion of French political energies in the process of the Revolution. Napoleon the Third drew on himself the hopes of the French people after they had been frustrated by the series of futile social collisions between 1848 and 1850. In contrast, Boulanger was a grotesque failure because the French democracy of the 'eighties was far too vigorous and self-reliant to long for a Leader.

The aureole which in the eyes of Frenchmen in France must surround General de Gaulle can hardly be dismissed by references to the much-discussed shortcomings of the leader of Fighting France. To people condemned to the daily miseries and humiliations of Vichy, he necessarily appears as the personification of all the national virtues of France. His political record has not been burdened by the vices of the Third Republic. His military record serves as the pedestal from which he can look down to the incompetence and mediocrity of the older generals. His book, *The Army of the Future*, did in fact forecast the course of the Battle of France five years before the event. True, the military expert may remark that General de Gaulle was not by any means the only, and not the earliest, advocate of modern technical warfare; the pedant may point to his mistake in proclaiming the era of small and purely professional armies. But the mass of Frenchmen consists neither of experts nor of pedants; and to them General de Gaulle is, and will probably remain, the unheeded and unrecognised prophet, the "voice in the wilderness." General Giraud, for all his extraordinary courage, character and patriotic record, does not appeal in the same way. Militarily, he belonged to the "old school" of Pétain and Weygand.

But this is only one element in the *mystique*. The other is the fact that General de Gaulle has secured for his movement the support of many sections of the French nation, while General Giraud has tended to stay within the narrow limits of the conservative, extreme Right milieu with which he has always been associated. General de Gaulle has the almost unconditional support of the resistant wing of the *Croix de Feu*, of the Catholic Trade Unions and of the CGT, of Radicals, Socialists and Communists.

How is it that all those movements, so antipathetic to one another, have recognised his leadership? Resistance is the common denominator. But this is not by itself a sufficient explanation. General de Gaulle's strength lies at least partly in the vagueness of his politics, which lends itself to the most divergent and contradictory interpretations. His supporters of the *Croix de Feu* hold that the political credo of the *Army of the Future* is still valid, a credo that was all against parliamentary democracy and all in favour of an authoritarian royalist regime. The Left keeps in mind General de Gaulle's more recent assurances of loyalty to the Republic and to the Constitution of 1875. Which of the interpretations is right? General de Gaulle's recent utterances allow no definite reply to the question. His assurances of allegiance to the Republic have had attached to them qualifications that his critics regard as subtle clauses of escape. And his condemnation of Pétain's personal dictatorship has not prevented him from himself maintaining a strictly personal control over Fighting France, with many of the somewhat eccentric rites that go with the application of a *Führerprinzip*. One day, the pressure of events and of practical politics on French soil will clear the contradictions. In the meantime, however, in the detached atmosphere of exile—in *partibus infidelium*—contradictions need no unravelling; and the *mystique* is—like every *mystique*—growing with an element of a *malentendu* in it.

A correspondent from Tunis wrote recently that the French there "fell in love with de Gaulle as with an unknown girl." The comparison can be extended to describe the mood prevailing in France itself. To the mass of Frenchmen, General de Gaulle remains the symbol of French resistance. The less emotional student of political affairs looks with some uneasiness to the authoritarian lining of that symbol. In the series of meticulously polite letters exchanged between Carlton Gardens and Algiers, some notes of a strange nationalist egocentricism can hardly be missed. But it would be a fallacy to believe that the growth of the *mystique* could at this stage be prevented or hampered by any artificial devices or by the fostering of any rival myths. The only effective reply to the *mystique* can be provided by the wholesome political prose of a liberated and free France. The *mystique* has grown out of the temporary collapse and sense of inferiority of French democracy. The democratic forces of France must first regain vigour and self-confidence, a task which requires time, opportunity and patience. But, if and when it is accomplished, there will be no room left for any independent *idée Gaulliste*; and General de Gaulle can only retain his well-merited and honoured place in French history if he parts with the highly controversial "ism" that has been affixed to his name.

Eire's New Budget

[FROM OUR DUBLIN CORRESPONDENT]

May 11th.

THE Minister of Finance, in presenting his Budget to the Dail, stated that the influence of the war on the Irish economy has spread in the last year. Nevertheless, in spite of the deplorably heavy shipping losses, the country has succeeded in obtaining visible imports in excess of visible exports to the amount of £17,300,000 since the outbreak of war. The Minister complained of the unreasonable clamour by many sections of the population for increased expenditure of public money at a time when economy is essential. He expressed the view that this demand for Government expenditure was the result of observing the huge expenditure in the belligerent countries which, he explained, are mobilised for total war, and are prepared to endure regimentation, shortages and anti-inflationary measures, however severe. The agitation for further public services reflects, in the Minister's opinion, a certain lack of private and co-operative enterprise. Taxation has reached, he stated, the utmost practicable limit. An increase on the present standard rate of income-tax, which is 7s. 6d. in the £, would fail to yield any additional revenue. This is good news for the direct taxpayer.

Turning to the results of the financial year, which ended on March 31st, the Minister stated that the realised deficit was £2,145,000, compared with an estimated deficit of £4,558,000. This satisfactory result was caused by the expansion of customs duties on tobacco, of excise on beer and spirits, and of income-tax, corporation profits tax, and estate duties. The indirect taxation on beer, spirits and tobacco yielded no less than £13,976,000, which represents 42.7 per cent of the total tax revenue. The great increase in expenditure was almost entirely accounted for by defence, the army costing £8,395,000. Abnormal capital expenditure during the year resulted in a net addition to the public debt of £3,212,000.

The estimate of revenue for the coming year on the basis of existing taxation is £35,195,000, and the non-tax revenue £6,287,000, making a total of £41,482,000. Expenditure is estimated at £46,169,000. Of this, capital expenditure to be met by borrowing amounts to £1,032,000, making the net total expenditure £45,137,000. The Minister justified this high expenditure on the ground that it helps to maintain employment, to relieve poverty, and to increase the social welfare of the people. The sum of £5,000,000 is to be spent on employment schemes, £7,500,000 on social services, £5,312,000 on education and £3,644,000 on subsidies on food and turf to keep down the cost of living. A scheme of family allowances is in preparation, but no provision is made for it in this year's estimates. In bridging the gap between revenue and expenditure, which amounts to £3,655,000, no economies in administration are possible, nor is there any room for increased taxation. There has been no income expansion such as has taken place in the belligerent countries, and shortages of many dutiable commodities are being experienced. A slight change is being made in the corporation profits tax, which will cost the Exchequer £5,000 this year and £30,000 in a full year. Minor changes in entertainments duty will yield an addi-

tional £5,000, and it is proposed to take £100,000 out of the Road Fund. The net deficit will be thereby reduced to £3,555,000, which is to be raised by borrowing. In view of the plethora of funds in the Irish banking system, and of the success of some recent issues by public bodies, there should be no difficulty in floating a loan on very favourable terms.

The Danger of Inflation

The Minister drew attention to the danger that continuous borrowing might have inflationary consequences. Inflation in Eire might result from causes in the outside world over which the Irish Government has little or no control, but it might equally arise from errors in internal policy. The amount raised by borrowing during the war is £12,101,000, which, though not a large sum, shows a steady upward trend. The high direct taxation has the result of transferring income from the saving to the non-saving class. Expenditure on consumption is tending to increase at a time when production is lagging. In spite of the great increase in tillage, the volume of agricultural production has not risen during the war; industrial production has fallen by 20 per cent; and building production by much more. The cost of living index number has risen by 60 per cent, while the agricultural price index number has risen by 75 per cent. The Minister emphasised the necessity for keeping prices and costs in the strictest control. Whatever inflationary symptoms are apparent are not the result of monetary causes. Bank advances have decreased by 10 per cent since the outbreak of war, in spite of a large expansion of bank deposits. The increase in the currency circulation is amply explained by the rise of agricultural prices and the cost of living.

Letter to the Editor

Offers Invited

TO THE EDITOR OF THE ECONOMIST

SIR,—Numerous schemes have been broached for the revival of the export trade after the war, and a common feature of such schemes is the proposal for joint action either by individual industries or by the community at large to facilitate selling abroad at special and attractively low prices. A recent article in *The Times* demonstrated that, from the national point of view, it may well be profitable to sell exports at lower than total cost, or even lower than out-of-pocket cost.

The trouble about such proposals is the selfishness and untrustworthiness of foreigners. They are prone to thwart such schemes by slapping on tariffs, quotas and other restrictions with callous indifference and suddenness.

Pondering over this problem, I have evolved the following solution. I suggest that there should be a League of Voluntary Dumps at home, and I am proud to offer myself as a founding member. Members would be pledged to accept goods and services at, say, 20 per cent below the market price. To show my bona fides in the matter, I hereby formally enter a subscription to the first post-war year issue of *The Economist* at 20 per cent below the then full subscription rate. I also give my full address below so that any producers can engage to supply me after the war on similar terms.

I hope I shall not be overwhelmed with messages of thanks and congratulation, with flattering references to my self-sacrifice. I am now getting to the age when I no longer get satisfaction and pleasure out of paying full top prices, and it is people in my position who can afford to assume the burden of cut rates.

Needless to say, my services are at the disposal of His Majesty's Government for the compilation of a White Paper on this scheme. With the Beveridge, Keynes, and what I may modestly call the Big-hearted George Plan, I think the programme of post-war reconstruction would be complete. Since I understand that the primary effect of a title is to bring about a 25 per cent surcharge on hotel and other bills, I cannot consistently with membership of the League engage to accept recognition through the Honours List. I appreciate, however, that taxation represents the purchase of goods and services supplied by the State, and I am agreeable that the trade facilities of the League should be open to the Government, and to make this clear I am prepared to accept a 20 per cent rebate on all my taxes, and from all trading services such as the Post Office.—I have the honour to be yours faithfully,

GEORGE L. SCHWARTZ.

28 Spencer Drive, N. 2.

Germany at War

Pressure on Banks

THE greater concentration of Germany's economy during 1942 found expression in the reports of the leading banks, whose annual reports have now become available. Semi-official estimates state that the number of joint-stock banks was reduced from 242 in 1942 to 231 at the end of 1942. The number of private banks fell to 503 from 821 in 1938. The total personnel in banking is estimated at 45,000 persons against 63,000 at the end of 1938. During 1942, a considerable number of local branches were closed in the course of a general concentration of the industry; and now the so-called total mobilisation demands a further reduction in local branches.

Official policy is directed towards a "planned" banking industry, in which a small number of leading banks would operate over the whole country, while the variety of mortgage banks, savings banks, and credit co-operatives would be reduced to one bank in each locality and regional district. The leading banks are opposed to this plan—the final closing down of the bourses met with similar resistance. It is clear from the relatively small number of persons employed in the banking industry that a further reduction of branches can hardly yield any appreciable addition to the *Wehrmacht*, or the industrial labour force.

Statistics covering all banks are no longer published; but the reports of the five leading banks indicate the general trend. The principal items in the accounts of the five leading banks—Deutsche Bank, Dresdner Bank, Commerzbank, Reichskredit A.G., and Berliner Handelsgesellschaft—are combined in the following table:—

(In Million Reichsmark)

	1941	1942	Increase or Decrease (—) in %	
	1941	1942	1941	1942
Total Assets	15,927	18,259	22.5	14.7
Bills, Cheques and Treasury Bonds	9,423	11,282	24.6	19.6
Advances	3,065	3,818	13.0	24.6
Investments	2,270	1,729	33.7	—26.0
Deposits	14,923	16,881	27.5	13.2
Taxes	127	161	16.3	19.3
Net Profits	41	52	11.7	26.7

(In Per Cent of Total Assets)

Cash	3.7	3.8
Treasury Bonds	44.3	48.4
Reich Loans	11.2	7.1
Advances	19.2	20.9

The first impression is that the general expansion of the banks has been retarded, although not stopped. Examination, item by item, shows that there have been changes typical of the greater concentration of German economy under effective price control. The increase in deposits is both absolutely and relatively smaller than in 1941. If they are split into current deposits and savings deposits, the increase was 8.3 per cent and 41.5 per cent, respectively. This suggests that the financial liquidity of industry was actually reduced during the year. The small business man, particularly the small shopkeeper, whose activities were contracted progressively during 1942, put his financial surplus into saving accounts. "Iron savings" accounts have been accumulated mainly from the personnel of the banks, been accumulated mainly from the personnel of the banks, party officials and civil servants. This trend is borne out by a continued rise in the deposits in savings banks and credit co-operatives which is estimated at 33 per cent on the average. The restricted activities of small business men, and the greater money surplus of the higher salaried employees and better paid workers, in face of a progressive shortage of unrationed commodities, have shifted the emphasis of financial liquidity from the commercial banks and current deposit accounts to savings accounts.

In contrast to the virtual standstill of deposits, there is

a considerable rise in the banks' advances. The obvious conclusion would be that industry, after the restrictions on advance payments by the *Wehrmacht*, was forced to ask for bank credit. Yet the reports of industrial companies and concerns show that they have rarely needed bank credit. German papers assume that the rise in advances has been mainly caused by a demand for financing the comprehensive storage of foodstuffs as well as for the financing of imports. It seems that official and semi-official marketing and raw material control organisations became debtors on a large scale. The so-called reconstruction of conquered territories also demanded credits. A detailed report published by the Deutsche Bank shows that credits to the armament industries were mainly granted to large companies, which is another indication that small businesses have almost disappeared.

At first sight, the status of the five leading banks at the end of 1942 is thus deceptive, suggesting, as it does, the beginning of a return to normal conditions of financing industrial activity. Actually, there is only a slight change. The greater part of the banks' resources is still absorbed by the state. The share of advances is slightly greater, and the share of Treasury bills, bonds and Reich loans combined is smaller. A striking feature is the reduction of the share of Reich Loans. The Deutsche Bank reduced this item by one-half. But this was compensated by greater holdings of Treasury bonds.

The so-called "silent financing" of the war, that is to say, the fact that no war loans, war bonds in small denominations or war savings stamps, are being issued, increasingly affects the entire banking situation. Small savers have no alternative but to put their savings into banks. This, under conditions of complete rationing, explains the tremendous rise in savings deposits. Total deposits in savings banks alone have been estimated at Rm. 51,000 million at the end of 1942; the increase in 1942 is estimated at Rm. 13,500 million, against an increase of Rm. 9,800 million in 1941. The commercial banks, which before the war competed with savings banks by introducing special savings accounts, are now confronted, because of this policy of "silent finance," with an unwanted increase in savings accounts which carry from 2½ to 3 per cent interest. The cheap money policy and the large holdings of Treasury bonds against relatively small advances are a constant threat to the earning power of the banks.

A typical wartime phenomenon is the fact that the banks, with vastly increased assets and a much greater sphere of influence in almost all European countries, were able to carry on their activities with a considerably reduced staff. The work done by the banks has actually decreased during the war. The Deutsche Bank has computed a ratio between total deposits and the turnover of deposit accounts. This ratio, which indicates with certain reservations the velocity of turnover, remained fairly constant before the war at 1 to 70. It has decreased since the beginning of the war, and in 1942 stood at 1 to 40. In other words, a great number of small transactions have been replaced by a small number of big transactions, resulting in less work.

During 1942, the expansion of German banks into other countries was small compared with 1940 and 1941. The Deutsche Bank and the Dresdner Bank took over the Handelsbank A.G., the Generalbank A.G., and the Internationale Bank in Luxembourg. In Germany itself, a special bank for armament credits was founded. It seems that this was the result of the reorganisation of the armament industry by Minister Speer.

A curious and almost defiant tone was struck in a director's speech at the shareholders' meeting of the Deutsche Bank. He refuted the idea discussed recently that the increase in total assets could be called the formation of capital, and bluntly stated that deposits had lost their normal characteristic as the cash reserves of industrial companies and concerns. At the same time, he enthusiastically declared that the banks were able to supply all the necessary credit to the armament industries on the well-tryed basis of the initiative of the bank managements, and assured his audience that a planned or steered economy will never experience a general lack of credits. He was rather reticent about the demand for abolishing more branches in the interest of "total mobilisation," and said that rationalisation lost its meaning if as a result the economy dependent on the services of the banks would have to spend more time and work in effecting payments, than before the rationalisation.

THE BUSINESS WORLD

Finance and Banking

Big Notes Returning

Although the period of making up for the clearing banks' May statements has already begun, the position in the money market has been such as to withstand any consequent calling in of loans without creating any apparent pressure. The cash position has been helped by the fall in Treasury deposit payments required from the banks this week. The £45 million of fresh money paid in this way was equalled by the nominal maturities, and as pre-encashment of these TDRs appears to have been exceptionally small the net amount lost by the banks through this channel has, this week, proved negligible. Against this, Treasury bill payments have again been £15 million in excess of maturities. Applications for the £90 million of bills on offer last week dropped sharply from £178,975,000 on the previous Friday to £154,660,000. In consequence, the market syndicate obtained the comparatively high allotment of 44 per cent, which means that rather more than £40 million was taken up in Treasury bills by the discount market this week. The banks, freed from the need to make heavy TDR payments, have been much keener buyers of bills than of late, and the market has not experienced undue difficulty in taking up its heavy allotment of bills. At no time, however, has the short loan position shown an over-abundant supply of credit. This week's Bank return shows virtually no change in the level of bankers' deposits, which at £140,689,000 reflect a moderately comfortable credit position. The immobilisation of credit in Government accounts continues at an exceptionally high level, these totalling £18,374,000, which is £2,366,000 down on the week, but still abnormally high in the light of recent experience. The return of notes from circulation again made satisfactory progress last week, a further £4,285,000 coming off the total. Both this and the preceding week's movement are probably due in part to the return of notes of higher denominations previously held as bankers' reserves and temporarily converted into balances with the Bank of England.

Banks and Bills

A change in the clearing banks' bill buying policy, which has been so gradual as to evoke little comment, has taken place over the past 18 months. It is the increasing concentration of bank purchases on bills of comparatively short currency. There was a time when the banks' competition for bills was so keen that the market almost automatically sold the bulk of its Treasury bills to

the banks as soon as the latter were allowed by their agreement to bid for them, that is, a week after they had been taken up by the discount market. The bulk of the business then transacted in the discount market was in what was known as "tepid" bills, that is, "hot" bills after they had been held for one week by the market. There were even breaches of the spirit, if not of the letter, of the inter-bank agreement when some institutions, in order to make sure of their supply of bills from the market, bought "hot" bills a week forward. All that has changed. The Treasury bills now have to be stone cold before the banks show any interest in them. The general experience of the market seems to be that houses now have to run their Treasury bills for four to six weeks before the banks show any interest in them. For example, though early August maturities are at present eligible for purchase by the banks, it is only with difficulty that these institutions can be induced to take up July maturities. It is evident that, since the arrival and development of the Treasury deposit receipt, the banks have come to regard their bill portfolio as a more liquid asset than in the days when it represented the last line of liquidity defence. The growth of TDR's has reduced the banks' demand for bills and in consequence has led to greater fastidiousness in the matter of maturities. Given the inelasticity of the massive and relatively inert mass of TDR's, the banks depend on their bills to a greater extent than before in order to achieve the required day-to-day adjustment of their cash position. Hence the desirability of keeping the average currency of their discounts short, since this will give a larger daily turnover of maturities. Moreover, if ever the banks have to sell bills to official quarters—whether to the Bank of England or public departments—the possession of early maturities will help the operation. As long, therefore, as it is the policy of the Treasury to maintain the major part of the floating debt held in the market and the banking system in the form of TDR's it must be expected that the banks will tend to keep their bill portfolio filled with shorter currencies than those they held when bills were the third and last line of liquid assets.

It should be noted that there is, as yet, little evidence of this change in the banks' bill buying policy leading to an appreciable increase in the volume of bills carried by the market. This is largely due to the fact that there has been increased competition for bills from special Empire sources. The position would change again if the Treasury's call on the banks in respect of TDR payments were to fall off and if the Treasury bill issue were to be correspondingly increased. There is, perhaps, some evidence of a new drift in this direction in the recent increase of the weekly offers of Treasury bills.

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

Capital Authorised & Subscribed - - £10,000,000
Capital Paid Up - - - - £2,500,000
Reserve Fund - - - - £3,000,000

Head Office: 10, CLEMENTS LANE, LOMBARD STREET; and 77, KING WILLIAM STREET, LONDON, E.C.4
London Wall Branch: 63, LONDON WALL E.C.2. West End Branch: 9, NORTHUMBERLAND AVENUE, W.O.2.
New York Agency: 67, WALL STREET.

Over 380 Branches, Sub-Branches and Agencies in South, East and Central Africa.

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED AT ALL BRANCHES AND AGENCIES

ROBSON, MORROW and UNDERWOOD wish to engage a first class accountant, Chartered Accountant or equivalent with wide executive experience, who can be trained as an Industrial Consultant. Four figure salary and excellent prospects. Mark envelope "Application." Full particulars to Robson, Morrow and Underwood, Victoria Station House, Victoria Street, London, S.W.1.

Counter Inflation in India

The Government of India has decided to take measures to counter the inflationary forces set in motion by the exceptional Allied expenditure in that country—expenditure which until now has only to a small extent been covered by domestic taxation and borrowing. Most of that expenditure has been offset by sterling payments, and this has meant that, whereas India has been devoting labour and materials out of its current resources to provide the exports and the defence works for which such sterling payments have been received, there has been no corresponding mopping up of the purchasing power thus created. Nor has there been any possibility of converting the huge sums received in sterling into import goods that would have balanced the increase in the circulating medium. The result has been rising prices, hoarding and speculation. The measures with which the Government of India proposes to tackle this situation are a general tightening up of the tax situation and more rigid control on such evidences of inflation as the formation of new companies. In the first place, there are to be exchanges in taxation designed to bring in the equivalent of about £75 million within the next three months. The new ordinance abolishes the present delays in tax assessment and a great deal of the additional revenue will be due to accelerated collection. In the second place, the effective rate of the excess profits tax is to be raised from 80 to 100 per cent by making it compulsory on firms liable to this tax to deposit the 20 per cent as a temporary loan to the Government. There is also to be a tightening up of income tax assessments and, in particular, a closer scrutiny of expenses allowed as deductions from taxable income. The rule that no company may be formed without the permission of the Government is intended to prevent the growth of mushroom companies which have found fertile soil in the present abnormal conditions. These measures are a welcome indication of movement in the right direction, though it would be unduly optimistic to expect them to remedy the ills against which they are directed.

Film Royalty Remittances

The Treasury has announced that the special restrictions on the remittance of film royalties, which have been the subject of agreements with certain American film companies over the past three years, are removed as from October 25th last. Remittances of film royalties will now be subject to the Defence (Finance) Regulations in the same way as other remittances abroad, and applications for effect-

ing such remittances will have to be made in the normal way through the remitter's bankers. From the beginning of the control of sterling exchange, the balances accumulated here by American film companies have constituted a special category of sterling. Varying proportions of these takings have, year by year, been remitted in dollars to the United States, and the balance has remained in blocked sterling accounts. In October last, the accumulated arrears in such accounts were released and converted into dollars, the amount so transferred being \$42 million. The further sterling accumulated in these film royalty accounts since last October will be affected by the new Treasury decision, which has retrospective effect to the date of the last release. It does not, by any means, follow that unconditional freedom has been given for all future conversion of film sterling into dollars. Each application for remittances of such sterling to the United States will have to run the normal scrutiny of the authorities, and only if the royalty is a reasonable one, will the transfer be allowed.

Argentina and Foreign Capital

A decree has been issued by the Minister of Finance of Argentina to control the influx of foreign capital. All purchases of pesos representing capital transactions will have to receive the sanction of the central bank. That sanction will only be given if it can be shown to the satisfaction of the authorities that the capital in question is genuinely seeking long-term investment in Argentina. The main intention of the new control is to prevent the further entry of foreign hot money, of which far too much has flooded into Argentine markets over the past year. The movement began at the time when the United States was considering measures for freezing all European dollar balances. A number of investors who would have been affected by the order anticipated it and transferred their dollars into pesos. The movement has continued and has, of late, been gathering momentum. The neutrality of Argentina, its increasing gold and exchange reserves and the threat of sharply rising prices in the United States have combined to hasten the movement of fugitive dollars into pesos. This influx of foreign capital is more than embarrassing to the Argentine authorities. Their gold and exchange reserves are in any case increasing as a result of their inability to import from the belligerent countries on a scale approaching Argentine exports to those markets. There is no wish to see these reserves expand further as a result of the influx of capital seeking temporary refuge and the possibility of exchange appreciation in this neutral haven.

Investment

Liquidity Preference

The break through at El Alamein halted the boom in industrials. The final expulsion of the Axis from North Africa is said by the market to have started a recession. Its probable extent is a matter of very substantial differences of opinion, but, for the average stockbroker, the outlook seems much more obscure now than it did only a fortnight ago when it looked as though the war were virtually certain to last well into 1944. It is, of course, the function of the market to discount broad developments well in advance. In a sense, the whole problem of successful short term investment is to know how far in advance and, apparently, the time has now come to consider what is likely to happen when the war is won. To keep the actual movement in perspective, it should be remembered that the ordinary share index of *The Financial News*, which rose from 94.1 on January 4th to 99.7 on May 10th, has so far fallen only to 99.2, a minor fluctuation, which at other times would be considered of little or significance. In any case, this index does not pretend to tell the whole story. It is, probably, representative of securities in which the bulk of the business has been concentrated since the fall in turnover in home railways and South African gold and diamond mines, but it is the latter group which had been run up speculatively and is now suffering the heaviest falls. As against this, it does not give any indication of a wave of buying, probably small in total amount, which has raised the price of the French railway stocks and Seine bonds, that carried the guarantee of the French Government, by several points

over the past week. Together with this has gone an improvement in bonds of the Axis powers and of some of the British companies operating in continental Europe, such as Imperial Continental Gas and Trepca Mines.

When all this has been said, the fact remains that the larger operators are certainly out of the market; that the investing public in general is waiting to see what will happen next and that there is a tendency to switch from long dated gilt-edged and equities into shorts, which can be sold at a moment's notice or held without danger of any appreciable capital loss. Whether it is called liquidity preference or under-investment, whether it is done in the hope of jumping into some profitable opening in the not distant future, or because the present level of securities is distrusted, the immediate effect can only be to depress prices. It is not a policy which is likely to appeal to large numbers of people, but it may be a factor of some importance in the immediate future of the market. Meanwhile, the Second Reading of the Finance Bill has produced a renewed assurance from the Treasury that cheap money has come to stay and an article on page 647 discusses the effects of such a policy. The same debate served to stress the consequences to industry of past and present fiscal policy; this matter is discussed in a note on page 651. It is evident that to stress these matters without eliciting a promise of reform is likely to depress industrial equities, but it is hard to believe that reforms will not come, if there is to be an attempt to encourage private enterprise.

Delayed Accounts

Apart from the complete ban on the accounts of public utility concerns, other than purely holding companies, there are a number of companies whose accounts cannot be published—not for security reasons, but because the basis for computing profits is so complex that the necessary work has not yet been done. This at least is the reason advanced by Sir Malcolm Robertson, chairman of Spillers, for disappointing the shareholders once more in the matter of accounts. Under the Flour Milling Control Agreement, it is necessary to reprice all inter-departmental transfers of goods back to February 1, 1934, segregating the controlled from the non-controlled sections of the company's business. The work, having been done by the accountants of the companies concerned, has to be verified by auditors and agreed with the officials of the Ministry of Food. When all this has been accomplished it is possible to set out to determine the tax liability of each company and hence the amount of earnings which they may retain. Looked at from the national standpoint, this seems a rather ridiculous business. It should, surely, have been possible to agree upon a formula which would have led to less complication and waste of manhours which could have been employed in furthering the war effort in some way. From the shareholders' point of view, it will not yield highly satisfactory results, for Sir Malcolm says, once more, that, in view of all the circumstances, the amount retained is not likely to be generous. The agreement has, none the less, been extended for a fourth year to the end of August. Sir Malcolm again expresses the hope that in a year's time it may be possible to present a reasonably accurate statement up to August last, by which time nothing definite will be known of any position more recent than August, 1939. It is little consolation to the proprietors that the current results will have no relation to any normal trading period, for they may, with some justification, fear that flour milling may not return to normal within their lifetime, if the present ideas as to the national production and international control of wheat remain current.

Accountants' Professional Problems

Since the accountants are about to ask that the profession be placed on a statutory basis, it is time that the public paid some attention to their internal organisation. The report of the meeting of the Institute and the speech of Mr Richard A. Witty, president of the Society, afford some further evidence of the attitude of members of the profession serving in industry and in the offices of practising accountants. In the case of the chartered accountants, a resolution was submitted calling for the appointment of a committee representative of all members to consider plans for post-war development. This resolution was lost by what is described as an overwhelming majority, but, since the protests against the existing order occur at every meeting, it is difficult to maintain that the present system of forwarding to the Institute suggestions for improvements is satisfactory. In his address, Mr Witty alludes to a proposal to convene a conference of representative members who are to have opportunities to put their views before the governing body of the society. It is, however, clear that neither body has solved the problem of securing for the large body of what are styled non-practising members the representation in the direction of the profession to which the democratic principle would appear to entitle them. The chartered accountants do not appear to have touched on the subject of education and training. Mr Witty, however, promises a report, following the first fundamental review of the position since 1918, which will show that the society must call for increasing standards of education, training and efficiency. He also holds out more definite hopes of the early appearance of the results of the labours of the research committee which have recently been resumed. Incidentally, he throws a rather different light on the proposals for official licensing disclosed by Mr Palmour, president of the Institute. He describes them as setting up a co-ordinating council, maintaining intact the status and designation of the various bodies, and assuring that none shall be in public practice as accountants *without having received adequate and proper training and experience*. Everything turns on the meaning given to adequate and proper, but the statement does suggest an awareness that the existing criteria of membership are not satisfactory.

Company Notes

Babcock and Wilcox Report

The full accounts for the year to December 31st last of *Babcock and Wilcox*, the leading boiler makers, show that there was considerable difficulty in avoiding a sharp reduction in profits. For the fourth year in succession, there is a decline, but total disclosed income at £741,374 against £777,790 is in fact higher than might have been expected in view of the reduction in the profit margin on Government work. It is clear that costs have been strictly controlled. Lower provisions of rents and war damage counter-act part of the fall in profit, but with tax liability at £370,000 against £365,000, equity earnings are down from £291,292 to £270,264, representing 12.2 against 13.2 per cent as cover for the ordinary payment maintained for the fourth year in succession at 11 per cent including a 1 per cent cash bonus. There is no allocation to write off war losses against £22,935, but the directors point out that certain capital assets abroad have been written down from profits by means of a reduction in the balance-sheet valuation of shares in associated companies which stand at £164,624 against £200,745. As in 1941, there is a transfer of £25,000 against the possibility of a fall in the value of stocks so that the carry forward, after bringing in £453 war losses recovered, is raised from £105,709 to £107,063. The balance-sheet, despite the rise in debtors, suggests that there has been a slight fall in turnover. Stocks and expenditure on orders are together reduced from £2,941,282 to £2,682,942. There is also a fall in creditors including tax provision, coupled with a rise in cash and holdings of Government stocks. The latter stand at £1,438,518 against £1,420,518 and have a market value of £1,531,316. As a result there is a rise in net liquid assets from £3,921,274 to £4,125,551. Net loans to subsidiaries are sharply reduced from £175,317 to £44,638. Total reserves are £25,000 higher at £1,885,965, some £675,000 in excess of fixed assets. The financial position is thus very strong. It is unfortunate that the company does not complete the excellent format of the accounts by provision of a consolidated statement. The £1 ordinary stock at 49s. 6d. ex dividend, yield £4 8s. 11d. per cent.

Colvilles' Results

As in the previous year, final prices for certain materials supplied to *Colvilles* are still unsettled. In consequence, trading profits and the tax liability can again only be estimated. Last year, disclosed profits, struck after war damage insurance and an estimated tax provision, fell £10,436 to £513,323, but, by drawing £130,000 from their reserves, subsidiaries were able to raise the net dividends to the parent by nearly £30,000 to £109,212. The parent has again allocated £250,000 to ordinary depreciation, but the special provision is halved at £50,000. Deferred repairs, however, receive £100,000 against nil. After meeting the preference dividend, a final payment of 5 per cent again raises the ordinary distribution to 8 per cent, out of earnings reduced from £194,634 to £166,035, representing 9.9 against 8.5 per cent respectively. An addition of some £9,250 increases the carry forward to £166,963. The balance-sheet position is

• Interest paid half-yearly
• Income Tax not deducted at source

3% SAVINGS BONDS
1960-70
POST OFFICE & TRUSTEE SAVINGS
BANK ISSUE

Issued by the National Savings Committee

more reassuring. Cash is more than trebled at £1,675,568, partly by replacing a net debt on current account of £211,768 from subsidiaries to the parent, by a net debt to them of £328,311. Debtors are reduced some £224,000 to £2,998,707, and stocks a mere £104,000 to £3,012,587. Tax provision, which the board describes as sufficient, now totals £1,653,462. Creditors, including contingencies and deferred repairs, are little changed at £4,790,548, while the repayment of a further £100,000 reduces the insurance group loan to £800,000. Excluding this debt, net liquid assets are virtually £700,000 up at £1,203,351. Together with £100,000 for deferred repairs, reserves for depreciation and obsolescence now total £2,750,000. The group's position appears strong enough, but it is a pity more information regarding the subsidiaries has not been provided, either in the directors' statement or in consolidated accounts. At 24s. 9d. ex dividend the £1 ordinary stock yields £6 9s. 3d. per cent.

Yorkshire Amalgamated Collieries

The full accounts of *Yorkshire Amalgamated Collieries* for the year to March 31st—the preliminary statement was discussed in *The Economist* of May 8th—show a substantial rise in income from £112,776 to £154,142. There is also an increase in refund of income tax from £581 to £1,601, but true equity earnings are raised only from £77,046 to £118,849, representing 8.2 against 5.3 per cent as cover for the ordinary payment increased from 5 to 6½ per cent. As was to be expected, £25,000 of the surplus, against nil, is transferred to general reserve, raising this fund to £250,000 and the carry forward is increased from £129,496 to £130,202. The directors are reticent as to the cause of the improvement, but it is plain from the consolidated balance sheet that output was higher last year. This statement shows a rise in stocks from £364,568 to £376,444 and in debtors from £525,899 to £580,806. The omnibus total of creditor items, including provision for deferred repairs and taxation, is slightly lower at £957,354 against £964,903, but it is plain that little can be deduced from this movement. There is a rise in net liquid assets from £335,667 to £411,739, while secured debt is reduced from £1,230,050 to £1,193,731. The company's statement shows a reduction of £50,000 in net loans to subsidiaries at £635,000. In the light of the published accounts, there appears to be a fair chance that the recovery is due as much to increased output as to adjustment of EPT liability. The £1 ordinary shares, at 19s. 6d. ex dividend, yield £6 13s. 4d. per cent.

John Lewis Recovery

The accounts of *John Lewis* for the year to January 31st show that the group shared to the full in the recovery in department store earnings which became general last year. Consolidated figures include the earnings of all the interests of the group with the exception of the Suburban and Provincial complex. Trading profits show a remarkable recovery from £298,928 to £403,947. There is a sharp rise in tax provision from £71,500 to £118,000, but depreciation requires rather less at £31,676 against £36,595. Earnings for dividends rose from £57,204 to £107,717, from which the directors have decided to pay eighteen months' arrears on the 7 per cent cumulative preference stock as well as the year's dividend on 5 per cent first preference capital. After charging only one year's service on each class of capital, 9.7 per cent is earned for the equity. The carry forward is raised from £63,906 to £103,325 after crediting £8,577 against £14,234 from reserves no longer required. If trading profits are maintained at approximately the same level in

the current period, the preference arrears, which now amount to only £39,375 net, should be eliminated in a year's time and the ordinary capital again come within sight of a dividend.

The recovery is of course due to all those factors, notably the reduction of expenses and the return of the evacuated population to the larger towns, which affected the concerns whose accounts were published earlier. The directors state that net liquid assets of the group rose by £89,664 to £1,353,574. Net loans of the parent to subsidiaries declined from £1,007,716 to £937,790. No doubt the greater part of the jump in stocks of the group from £1,483,894 to £1,638,250—including only £29,506 against £112,746 outstanding claims under War Risks Insurance—is due to the influence of purchase tax. The same factor was mainly responsible for a jump in money turnover of 16.2 per cent on the year and 8.6 per cent against 1940. Claims for war damage have now been mainly agreed. They stand in the consolidated statement at £237,749 against a suspense item of £272,618. The management indicates that £58,582 of Depreciation Reserve, found upon revaluation of the remaining properties to be excessive, has been used to write off expenditure on improvements and ARP—which a year ago totalled £36,481—and war damage contributions in respect of land and buildings. The group has yet to find the money for rebuilding and re-equipping the Oxford Street and certain provincial premises, but, as far as can be judged at present, there should not be an undue stringency.

Union Corporation Group

After the somewhat discouraging results issued by the mines of the Central Mining-Rand Mines and the "Johnnies" groups, the results of the *Union Corporation* companies come as a relief. It is true that in three out of five cases dividends have been reduced, and that in one only, that of *Grootvlei*, where expansion has been very marked, is there an increase, but three of the mines are young, and the older members, *Geduld* and *East Geduld*, have holdings in *Grootvlei*. The results of the group, analysed in the following table, show that in three cases there was an increase in tonnage milled and in revenue per ton, and, despite the fact that only in one case were costs reduced, there were also three cases of higher working profits. Ore reserves were lower in four out of five cases as the inevitable result of reduced development not paralleled by reduced milling operations. In only two cases, however, was there a fall in grade. The least satisfactory results were attained by *Van Dyk* and by the old-established *Geduld*; the best by the rapidly developing *Grootvlei*. The achievements of *Marievale* and *East Geduld*, which are still below peak production, were satisfactory. It appears from the reports of directors and consulting engineers that shortage of labour and materials became much more acute in the latter half-year, and there is consequently every prospect that the current period will be less profitable. There has obviously been very strict control of stores, which has done something to offset the rise in working costs. The success of *Grootvlei* was in part due to the completion of the second extension to the milling plant, which made possible an increase in tonnage milled to nearly 160,000 a month toward the end of the year. Despite the reduction in development, two connections with the *Palmietkuil* workings have now been completed. In *Geduld*, diamond drilling has been continued, but, as yet, without any great success. The practice of producing munitions from the mining workshops was extended.

UNION CORPORATION GROUP

Mines: Years Ending December 31	Tonnage Milled ('000)		Revenue Per Ton		Working Costs Per Ton		Working Profit (£'000)		Dividends		Ore Reserves			
											Tons ('000)		Averaging (dwts.)	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
East Geduld	1,932	1,923	48/5	48/8	16/7	16/7	3,074	3,088	62½	55	16,000	15,200	5.2	5.2
Geduld	1,398	1,393	40/-	40/1	19/5	19/8	1,441	1,421	67½	61½	8,800	8,300	4.4	4.2
Grootvlei	1,496	1,845	45/2	43/11	23/3	20/4	1,637	2,180	20	23½	10,000	9,600	5.2	5.2
Marievale	591	597	44/8	45/2	30/2	30/1	428	450	10	10	2,500	2,500	5.9	6.0
Van Dyk	1,183	1,187	43/6	42/-	26/8	26/10	997	899	17½	13½	3,100	3,000	5.2	4.6

London and Thames Haven

The 1942 accounts of London and Thames Haven Oil Wharves show a welcome improvement in trading profits from £100,207 to £120,417. Total income, including a non-recurrent item of £20,000, is up from £107,790 to £151,135. The surplus available for distribution is, however, reduced by the directors' decision to adopt the basis of tax provision advocated by the Chartered Accountants. That is, they provide for tax payable on all profits earned, instead of the legal liability as at December 31st only. Thus, tax provision, including in the latest year tax on dividends, is up from £52,466 to £87,500. Depreciation and deferred repairs together receive £5,000 less at £15,000, so that it is possible to pay six, instead of three, months' preference dividends—and nine months' in 1940—bringing arrears up to October, 1941, and to retain £14,355 against nil for the equity. After charging one year's preference dividends, there would be equity earnings of 1.1 per cent. It is possible to raise the carry forward from £108,883 to £146,550 by crediting £18,000 reserve no longer required and £5,312 refund of income-tax. The directors point out that for the second year war damage charges have been deducted from the provision of £20,000 transferred in 1940. So far as the profits statement is concerned, the accounts suggest that that there has been a definite recovery in earning capacity, which explains the payment of a further year's preference dividend in April. It is plain from the balance-sheet that the expansion continues to place a severe strain on liquid resources. There has been a reduction in the secured bank overdraft of more than £100,000 to £416,632, but at the cost of a jump in the excess of current liabilities over liquid assets from £92,511 to £142,682, and a rise in net borrowing from subsidiaries from £3,942 to £9,284. There is also the contingent liability of Frs. 6,736,064 in connection with the partly paid shares of the French subsidiary, *Compagnie Industrielle Maritime*. Cash holdings amount to no more than £485. Thus, the financial position is still far from satisfactory, but the concern appears to be slowly recovering from the setback of 1940, and to be beginning to reap the fruits of the reconstruction of that year. The 4s.

ordinary shares now stand at 8s., which goes some way towards discounting a return to full prosperity.

Anglo American Investments

The item of revenue from all sources, earned by the Anglo American Corporation of South Africa during 1942, shows an increase of almost £100,000 to £1,073,544. Expenses and directors' special remuneration are higher, but tax provision is down from £100,000 to £76,000. This excludes tax on dividends, which has gone up with the raising of the distribution from 25 to 30 per cent, only just covered by earnings, which in 1941 amounted to 25.9 per cent. The company's debts to affiliates and others have increased by some £1,040,000 on the year, while a fall in creditors has been offset by the larger payments and an increase of £106,000 in unclaimed dividends. Loans to affiliates are substantially reduced and the balance-sheet value of shareholdings is lower by £258,000 odd. Funds from all these sources have gone to swell liquid assets, which are more than £1,650,000 up at some £10,203,000, most of the increase being in money on deposit or current account with the company's bankers. The balance sheet shows that shareholdings, taken in at £7,971,200, were valued by the market, or the directors, at £12,178,000. As these include the substantial holding of the group in Anglo American Investment Trust, one of the diamond owning concerns, the current market price may well be very substantially higher. There is no mention of these interests in the report, and most of the benefit from the recovery in profits and quotations will only be reflected in the accounts for the current year. Like the other South African finance companies, Anglo American was under-invested, a fact which may mean either that existing quotations were considered unattractive, or that liquid funds were considered essential to take advantage of more profitable opportunities in the near future. It has to be admitted that the former hypothesis appears the more tenable at the present time, but in the past five months or so the corporation has found money for more than one developing concern, while the shares of many of the companies in which it is interested have improved over that period.

Industry and Trade

Electricity and Gas

The future of the electricity and gas industries formed the subject of an interesting discussion at the Fuel Luncheon Club on Thursday last week. There can be no doubt that electrification has still a long way to go in this country and that even gas is by no means a declining industry. Fundamentally, the problem is one of the utilisation of coal by the most convenient and economical methods. From the national standpoint, there is a great deal to be said for speeding up the displacement of coal, especially for heating purposes in the house, by its cleaner products, electricity and gas. But from the consumers' standpoint, the rate of displacement must depend largely on alternative costs. The need for the electricity and gas industries, in fact, is to concentrate their efforts on securing reductions in costs and further improvements in the services provided to the consumer. This raises important questions of policy about the future organisation of the two industries. Hitherto, and especially during the pre-war decade, competition between gas and electricity, though not always effective, has provided a powerful stimulus to research and progress. Sir David Milne-Watson, chairman of the Gas, Light and Coke Company, drove home this point by asking for equality of opportunity for the competing kinds of fuel and freedom of choice for the consumer. Undoubtedly, direct competition between the two industries for the consumers' favour has been a strong influence for efficiency. But Major Lloyd George, Minister of Fuel and Power, appears to take a different view. He referred to "intensive and sometimes wasteful competition" between electricity and gas, suggested that "the consumer was left to pay," and concluded that some settlement must be reached if consumers' interests are not to be sacrificed. The argument could only be settled by a detailed and fully informed investigation. But one point is fairly clear. If there is to be an elimination of competition between gas and electricity, it cannot be on the basis of their present organisation. The possibility of turning the fuel industries into a public service deserves careful consideration; but so

long as they are operated mainly by private enterprise, competition provides the only sure path to efficiency and continued progress.

Landowners' Views on Agriculture

In a pamphlet on Post-war Rural Reconstruction Problems the Central Landowners' Association has brought together a series of memoranda containing its views on various aspects of post-war agricultural policy. The views are naturally those of a sectional interest and must be treated as such. The CLA includes the majority of owners of the larger agricultural estates in England and Wales, with a considerable number of owner-farmers, as well as many proprietors of small areas of rural land. Its purpose, as set out in the first rule of its constitution, is

to safeguard their legitimate interests (that is, those of owners of agricultural land) and to promote the industry of agriculture, but in each case only so far as is consistent with the interests of the nation, which are above those of any industry or of any individual.

In view of its composition, it is hardly surprising that the CLA champions the maintenance of private enterprise in agriculture on the basis of the existing system. The Association regards as "unnecessary and inadvisable" the acquisition by the state of the development rights of rural areas proposed by the Uthwatt Committee, and it has reached the conclusion that the nationalisation of the land would be a "disastrous policy for the nation." One of the arguments

FIVE THINGS

that RAPIDISM will do for you: it will (1) create will power; (2) perfect your memory; (3) increase your self-confidence; (4) train you to plan and organise; (5) enable you to realise your ambitions.

Write now for free Booklet to THE RAPIDISM INSTITUTE, E29, TUITION HOUSE, London, S.W.19.

adduced against the nationalisation of the land is that this would "throw an intolerable burden on the general taxpayer." It is supported by this extraordinary statement:

The private landowner obtains on the capital invested in land and its fixed equipment, a rate of interest substantially lower than that at which the Government borrows money. It follows that if a large burden on the general taxpayer is to be avoided, agricultural rents under state ownership would have to be doubled at least.

Are the landowners really offering a subsidy to the community and willing to remain content, for purely sentimental reasons, with a rate of interest lower than that which they would obtain from Government securities? How does this square with their demand for a "fair return for capital, labour and enterprise, for guaranteed prices, markets and state subsidies"? While emphasising the need for efficiency in agriculture, the CLA has nothing to say about the size of subsidy that, in their view, would be "consistent with the interests of the nation."

Conciliation Machinery

It is satisfactory that the last-minute hitch in the coal conciliation scheme has now been removed, and that both the employers and the unions, including the Northumberland miners, have accepted Lord Greene's solution. The Northumberland and Cumberland miners had objected that the conciliation scheme did not permit the reference of district matters to the National Board, except by mutual agreement of the two sides and that the district wage agreements "subject to mutually agreed alterations" could not be revised under the new machinery. Lord Greene has proposed a modification of the 1940 agreement so that either party may take a claim for revision of district agreements to an independent authority, provided that a "substantial change of circumstances is proved" and that the district issue is of sufficient national importance to merit reference to the national body. In this way, good will and commonsense have prevailed. The new machinery, if given a fair trial, should make for better relations in the industry and thereby help production, though it is not likely to have any immediate or direct effect on output. It is, therefore, to be hoped that the Minister of Fuel and Power will soon be able to state what steps are being taken to improve the efficiency and achieve the reorganisation of the industry. On the miners' side, the first-fruits of the Tunisian victory have been the decision of the Scottish mine-workers to work an extra day, in order to produce about 50,000 tons of coal.

Coal Fund

The financial allowances granted in the second quarter of this year to colliery undertakings by the new financial arrangements under the Coal Charges Orders of last June and July show substantial increases over those of the March quarter. It will be recalled that by these Orders the collection and distribution of the levies under the War Emergency Scheme and the guaranteed wage provision of the Essential Work Order, amounting to 7d. per ton, was transferred from the Central Council of Coal Owners to the Ministry of Fuel and Power; and that under the authority of these Orders the proceeds both of the 3s. per ton increase in the price of coal in June, 1942, to cover the cost of the Greene wage award and of the 1s. increase on January 1st last were made payable into the same central fund, together with a contingency levy of 6d. per ton. These charges were consolidated into a general levy of 5s. per ton on commercial disposals, yielding at the rate of about £45 millions per annum. This fund is now employed to meet the undertaking of the Government last autumn to provide the industry with a national average credit balance of 1s. 9d. per ton (with appropriate credit balances, based on past performance, for each district), as well as to discharge the costs of the Greene wage, of the output bonus, guaranteed wage payments, assistance to necessitous undertakings, and certain minor charges. Under the original war-period financial arrangements, increased costs were met by differential price advances, but it seems that the Government considers the method of price allowances from a common pool better adapted to meet the requirements of the new profit-earning scheme and the special claims of high-cost colliery districts. The increase in the allowances between the first and second quarters is due partly to certain adjustments which have been made in the trading results in order to cover grants to necessitous undertakings, but

mainly, it is believed, in order to improve the current trading balances in the least remunerative coalfields, where recent joint ascertainment have shown very small credit balances and in one or two cases actual losses. The allowances amount to 1s. 1d. per ton in Scotland (with certain Lanarkshire pits receiving 2s. 7d. per ton); 1s. 3d. in Northumberland; 2s. 6d. in Durham; 2s. 3d. in Yorkshire; 2s. 1d. in Lancs. and Cheshire; and 2s. 8d. in South Wales on bituminous coals, 4s. 2d. on washed and graded smalls, and 7s. 7d. per ton on anthracite. In a large measure these disparities are an expression of the unequal incidence of war conditions on the coal-mining industry. The purpose of the central coal fund, in fact, is analogous in many respects to that of the steel industry's; but the corollary of compensation is insistence on the efficiency of those who claim it.

Industrial Management

Mr Bevin recently remarked in the House of Commons:

I know of no more harassed persons in this war than works managers. A works manager has a terrible responsibility. He has to keep production going and as a rule he has to be a good engineer, a good psychologist and a variety of other things. He is not always blessed with the most intelligent of directors.

The fact is that management, like labour, has been very heavily diluted since the war, and has had to face completely new and often very difficult problems. Sir Stafford Cripps, speaking at the "Oxford" Management Conference on May 16th, paid a tribute to the work which managements have performed, often under superhuman difficulties, such as the constant modifications of programmes to meet operational needs, shortages of materials and machines, the dilution of labour and the inflow of "green" labour. He stressed the importance of personnel management, which by introducing a more human approach could be of inestimable value in facilitating the adjustment of new entrants to factory conditions and reducing labour wastage and unnecessary absenteeism. Sir Stafford also referred to the value of joint production committees and to the contribution which all employed at a factory could make, whether foremen, technicians, shop stewards or trade unionists; but—as he has frequently insisted in the previous speeches—the final responsibility rests with the management, and if things go wrong, it is the management which gets blamed. Other speakers at the Conference spoke on similar lines. Mr Samuel Courtald pleaded for better understanding, and Mr Gordon England for greater ingenuity and flexibility to meet changing circumstances. Dr G. S. Walpole, from his practical experience of joint consultation, spoke of its value in improving output, and urged the establishment of joint consultative machinery at the national as well as at the factory level. Management, he said, should be regarded as "an integral but separate factor in industry, and any attempt to identify management with ownership is illogical and wrong." Increasing attention is being paid to-day to questions affecting management—the basis of recruitment, including promotion from the ranks, education and training for management and management's relations with capital and labour. The "Oxford" Management Conference was useful in focusing attention upon some of these problems, which will become more urgent during the transition from war to peace.

Planning Roads

The need for a bold improvement in Britain's road system, stressed in a recent report by the Institution of Highway Engineers, is as urgent in built-up areas as it is in open country. The decision of the Ministry of War Transport, with the concurrence of the Minister of Town and Country Planning and the Secretary of State for Scotland, to appoint a committee

to consider the design and layout most appropriate to various types of roads in built-up areas, with due regard to safety, the free flow of road traffic, economy, and the requirements of town planning

is therefore to be welcomed. The committee is essentially one of experts; it includes representatives of the Planning Ministers and of the architectural and planning professions. The replanning of roads in built-up areas is, of course, part and parcel of town planning as a whole. The committee

(Continued on page 671)

COMPANY MEETINGS

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

PAST YEAR'S GOOD RESULTS

TOTAL ASSETS EXCEED £18,000,000

MR JAMES L. MOUNSEY'S STATEMENT

Mr James L. Mounsey, W.S., chairman, presided at the one hundred and eighteenth annual general meeting of the shareholders of the Scottish Union and National Insurance Company, held at Edinburgh on May 19, 1943. In moving the adoption of the report and accounts for the year 1942, he stated:—

LIFE DEPARTMENT

In spite of the difficulties created by war conditions it is satisfactory to note that the new life sums assured increased by £161,018, whilst the mortality experience continues to be favourable.

A factor of great importance in the life department is the possibility of increased mortality through causes directly or indirectly due to the war. Up to date the claims by death due to hostilities have been comparatively small. With the prospect of new fronts being opened in the near future, we may be faced with considerably more claims from this cause than has so far been the case. In addition, the extent to which the future rate of mortality will be affected as a result of the physical and mental strain to which combatants and non-combatants alike have been exposed as a result of the war, can only be conjectured.

It must also be remembered that every company has upon its books at the present time a large number of contracts under which the premiums were fixed at a time when it was reasonable to expect that the average rate of interest earned over the period of the contracts would be considerably higher than now appears probable. Fortunately the trend which events might take was recognised some years before the war, and in 1937 the valuation rate of interest used in estimating the liability in the life department was reduced to 2½ per cent. The wisdom of this step is now obvious, and despite the fall in the net interest rate earned, due to cheap money and high taxation, we still have a satisfactory margin over and above the valuation rate of interest. The gross rate of interest earned on the life funds in 1942 was £4 6s. 6d. per cent., and the net rate £3 0s. 5d. per cent.

Our life department fund was valued at the end of 1942. The surplus earned during the five years, including £92,110 brought forward from 1937, amounted to the substantial sum of £1,077,642. Having regard to the difficulties already referred to, this surplus will, I hope, be regarded as satisfactory. The directors decided, after careful consideration, that after providing for the payment of interim bonuses to policyholders whose policies become claims before the next valuation, the surplus should be carried forward. In view of the uncertainties of the future, your directors feel that any other course would be imprudent. It is our intention to review the position so soon as conditions have altered sufficiently for a clearer view of the future to be taken.

FIRE DEPARTMENT

I am glad to be able to report a further improvement in our fire account. Net premiums again show an increase, although only slight, whilst claims paid and outstanding are a little less than in the previous year.

In the U.S.A. and Canada the progress of the war has brought with it inevitable changes. In those countries schemes of war damage insurance have thrown additional

burdens upon the shoulders of insurance companies, but, as in Great Britain, these burdens were cheerfully accepted and the work involved carried through at a minimum of expense to the Governments concerned.

Last year there was further restriction of the areas in the Far East where we carried on business due to their temporary occupation by the Japanese. Fortunately, however, if the shadow still moved forward in the East it has begun to lighten in the West. Algeria and North Africa, where we had useful and developing interests before the war, have already been freed, and although it may be some time before private commerce can be resumed with French North Africa, we are ready at the earliest opportunity to take up the broken threads, and it is my earnest hope, and I am sure it is yours, that before we meet again many additional areas will have been liberated from the Nazi yoke. This applies equally to the marine and accident departments as well as to the fire department.

ACCIDENT DEPARTMENT

In the accident department we show a slight fall in aggregate premium income, which is due to the drop in premium from motor business. Each section of the account, it is satisfactory to report, has earned a profit.

Last year reference was made to the continuing adverse experience in our overseas motor account. This position, I am glad to say, is steadily improving, which is due to the steps we have taken during the past two years.

MARINE DEPARTMENT

Turning to the marine account, which, as you know, is in the care of our associated office, the Maritime Insurance Company, I cannot do better than quote some of the comments of Colonel V. E. Cotton, the chairman of that company, made at their recent annual general meeting.

"The net premium for 1942 showed an increase of almost exactly a quarter of a million pounds over that for the preceding year. This fact has to a large extent affected all the other items in the accounts, for increased premiums necessitate increased reserves. It was therefore natural that the directors should act with caution in making transfers to profit and loss account."

"Another point which calls for comment is that claims paid, even allowing for increased premiums, show an unwelcome growth. This is mainly due to very large settlements on American account in the early part of last year, when claims for war casualties were particularly and unexpectedly heavy. The American market has, however, taken vigorous steps to put its house in order, and I am hopeful that from now onwards our American business will be once again on a satisfactory basis."

"Marine insurance as it was practised before the war was an intricate, delicate and flexible mechanism, world wide in its ramifications and constantly adapting itself to new and changing circumstances. Into this mechanism was thrust the crowbar of war, and if, after the war, it is to be reconstructed so as to function with anything like its former efficiency, it is probable that considerable modifications will be necessary in practices which had grown up over a long period of years. Already we see signs of greater simplification brought about by the needs of economising in labour, so that men

PROFIT AND LOSS

Reverting to our own immediate affairs, in the profit and loss account it will be noticed that interest and dividends, both gross and net, show an increase on the previous year due to an increase in funds. Expenses show only a slight advance. The provision for taxation includes all sums we shall be liable to pay in respect of profits earned in the year which has just closed. The balance carried forward at £295,723 is greater by £81,215 than in 1941.

BALANCE SHEET

The balance sheet which is now submitted shows our total assets at £18,867,206, an increase of £520,155 on the previous year.

The reserve funds of the company, excluding life funds and capital, are £4,122,000, being 160.6 per cent. of the premium income.

During recent months a full examination of our Stock Exchange and other investments has been made following our usual practice of making a detailed investigation every five years. The value of our Stock Exchange securities were in the aggregate substantially in excess of our book values. Whilst the requirements of the Government, to satisfy the needs of the war effort, have severely restricted our investment programme, we have willingly continued to invest our available monies in Government loans, our holdings in which now stand at £4,352,267, an increase of £695,078 during the year. In this our associated company, the "Maritime," has contributed its share.

Regarding our American subsidiary companies, the companies' shareholdings remain at the disposal of His Majesty's Government in accordance with the provisions of the Financial Powers (U.S.A. Securities) Act, 1941. As stated last year, the companies' operations are being carried on under the same conditions as before.

In conclusion, I should like to express our thanks and appreciation to our general manager for his efforts on our behalf. The good results of the past year are due in no small measure to his untiring energy and enthusiasm, and despite all his preoccupation with present worries and difficulties it is greatly to his credit that he still finds time to look ahead, consider and plan for post-war development.

The report and accounts were adopted.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY, LIMITED

In a statement circulated with the 107th annual report of the Liverpool and London and Globe Insurance Company, Limited, the chairman, Mr P. R. England, indicated that total fire, accident and marine premiums, at £10,485,290, showed an increase of £475,943 over 1941. Underwriting profit was £949,528, against £750,784.

New life business, at £1,264,519, was some £67,000 less. New premiums were somewhat higher.

Fire premiums, at £3,705,732, compared with £3,964,216 in 1941. Policyholders were urged, in their own interests, to increase sums insured in line with up-to-date values.

Accident department trading was again satisfactory, premiums, at £5,045,712, comparing with £4,928,422.

Marine premiums, at £1,733,848, showed a substantial increase over the 1941 figure of £1,116,709.

Net interest was £317,251 (against £323,857).

The directors recommended a final dividend of 13s. 6d., making 27s. per share, less tax, for 1942.

THE STANDARD LIFE ASSURANCE COMPANY

CONTRIBUTIONS TO WAR EFFORT

STRINGENT VALUATION OF ASSETS

The one hundred and seventeenth annual general meeting of the Standard Life Assurance Company was held in Edinburgh on the 18th instant, Mr J. C. Campbell in the chair.

The manager and actuary having read the auditors' report, the Chairman said: Gentlemen,—May I take it to be your wish that the directors' report, which is in your hands, should be held as read?

Before reviewing the results of last year I must refer to the company's loss through the resignation from the board for reasons of health of Mr H. A. Jamieson. Mr Jamieson's wise counsel on financial matters during the period of 17 years which he served on the board was greatly appreciated by the directors, and his helpfulness as chairman from 1939 to the date of his retirement—a difficult war period—was most marked. I regret also to report the death of Mr Forbes Angus, who not only served the company as a director in Canada for 31 years but for the last 24 years as chairman of our Canadian board. A man of wide experience, he contributed greatly by his valuable advice to the steady development of the company in the Dominion. It gives me pleasure to take this opportunity of saying how glad we are to have Mr Walter Molson as the new chairman of our Canadian board and also Mr W. H. Clark Kennedy, our manager for Canada, as a member of the Canadian board.

INCREASE IN NEW BUSINESS

Once again I am pleased to be able to submit to you a very satisfactory report. You will notice a substantial increase in new business. The total, after deducting re-assurances and including group life assurances, was £3,001,000, which represents an increase of £996,000 on the figure for the previous year. I should like to lay stress upon the fact that this increased business has been obtained during a year in which the company's outdoor staff in this country has been almost entirely withdrawn from active participation in the new business organisation. At the beginning of last year a few members of our outdoor staff still remained, but we took steps to arrange that in so far as the United Kingdom and Northern Ireland were concerned all these men should be diverted to more essential work. Some of them have joined the Forces, others have taken up alternative work of national importance, whilst the remainder are carrying out essential indoor work at head office and various branches. It is perhaps fitting that I should pay a tribute to the work in the past of our outside men who have built up the connections of the company on such a sound basis that new business continues to come in without seeking. Our field force in countries overseas, where their activities are not so far greatly restricted, deserve no less praise for their success under difficult conditions. A substantial total of deferred annuities, mainly in connection with staff schemes, has also been completed, and a sum of £370,000 has been contributed for the purchase of immediate annuities.

LOW RATE OF EXPENSE

Turning to the revenue account of the life assurance and annuity fund you will note a small reduction in the amount of claims by death in spite of the total including £99,000 directly due to the war. At the same time you will be pleased to see that the premium income which shows a considerable increase over last year now stands at over £2,600,000. It is worth mentioning that of this amount less than

£15,000 has been contributed by way of single premiums. The net interest revenue shows an increase at £1,347,000 and represents a net rate of interest on the life assurance and annuity fund of 4.18.11d. per cent., which, although it again shows a reduction on the previous year, must give satisfaction to members. The expense ratio is still low at 10.4 per cent.

The total assets as shown in the balance-sheet are now £36,976,000, representing an increase of £1,721,000 over last year's total. The directors have again been able to state that in their belief the value of the assets was in excess of the balance-sheet figure. I take this occasion to inform members that, after a very careful and thorough investigation of the value of the various assets of the company had been made, the amount by which this value exceeded the figure in the balance-sheet was found to be considerable.

LARGE CONTRIBUTIONS TO GOVERNMENT LOANS

The policy of contributing largely to British Government loans has been continued and you will see from the balance-sheet that our total holding of British Government securities at November 15th last was £11,623,000—an increase of £2,053,000 during the year. The company's holding in British Government securities has increased by no less a sum than £7,581,000 since the commencement of the war, and of this total £6,495,000 was subscribed to new war loans. These figures speak for themselves, and it should be unnecessary for me to lay stress upon the fact that the company, by encouraging saving through the medium of life assurance policies, is making a very real contribution to the nation's effort. All excess income of the company over outgo in this country, and a considerable proportion of other funds available for investment are being invested in new war loans and in addition substantial contributions have been made by our Canadian branch to the new war loans raised by the Canadian Government.

STAFF AND THE WAR

We are also naturally very proud of the war effort which is being made by the staff. Only one quarter of our pre-war male staff of all ages is still in active service with the company, the remainder being away on service of one type or another. In addition a number of members of our female staff are also on service. The work is being carried on at home by a small nucleus of our regular staff assisted most willingly and loyally by a temporary wartime female staff. All the members of this temporary staff are seeking employment only for the period of the war, so that we are in a position to say not only will we welcome our regular staff back when the war is over but we shall urgently require their help. In the meantime it is no mere formality to say how greatly we appreciate the arduous efforts of those who are carrying on the work of the company under more difficult conditions.

POST WAR PROSPECTS

During the past year much has been said and written of projects for insurances of a national character after the war. Many of these are admirable and represent a desirable co-ordination of and supplement to our existing schemes of social insurance. It is, I feel sure, to be expected that these wider schemes, when they come into force,

will enlighten the public still further regarding the benefits of insurance, and people will wish to make even greater use of the opportunities which companies such as the Standard offer. Our men in the Forces may well feel that when they come back they will be returning to perform a highly useful function and one which will be appreciated by the public in assisting to promote the extension of insurance by the individual for his individual responsibilities. Apart from minimum benefits through national schemes, the Standard, by offering facilities upon the mutual principle, enables members of the public by their own efforts to provide upon a profit-sharing basis for the comfort of old age and for the security of those who are entitled to look to them for protection from want.

I greatly regret to have to report the death since the last annual general meeting of another member of the staff in the Forces, Mr R. P. Tytler. We extend to his wife and relatives our sincere sympathy in their bereavement. Also since our last meeting two other members have been wounded, one being a prisoner of war, and I am sorry to say that we have just heard that another young member of the head office staff is missing as a result of operations in Burma. You will all wish me, I know, to send our greetings and best wishes to our staff in the Forces and to wish them a safe and speedy return.

As will be seen from the report, Mr A. J. Mascall retired from his position as manager and secretary last September after serving the company with distinction at home and overseas for the long period of 52 years. Mr A. R. Davidson was appointed manager and actuary as from the date of Mr Mascall's retirement.

I now move the formal adoption of the report, revenue accounts and balance-sheet submitted.

Dr John Sturrock seconded this motion and the report was unanimously adopted.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundred and eighty-first annual general meeting of the Equitable Life Assurance Society was held, on the 19th instant, in London.

The president, Major Desmond Abel Smith, referred to the retirement of Sir William Elderton from the position of actuary and manager. Since his appointment in 1913 the funds had doubled in amount and annual new business had increased from £250,000 to over £2,000,000.

The principal change in the balance-sheet was the increase in the holding of British Government securities from £1,250,000 to £2,100,000. The market value of Stock Exchange securities exceeded their book value by well over £500,000, and the president was satisfied that there had been an improvement in other investments. High taxation and the growing proportion of the funds invested at a low rate of interest had had an adverse influence on bonus-earning power, but with reasonable caution the society should emerge from the war in a sound condition and again earn satisfactory bonuses for members. At the end of 1943 the bonus position would again be reviewed.

New business for 1942 constituted a record. The figures were greatly influenced by a large staff scheme, but apart from that new sums assured were over £1,100,000. The claims under whole life major profit policies showed the usual remarkable results. War claims at about £70,000 were almost exactly the same as in 1941; the granting of a restricted amount of cover during war-time, whatever the cause of death, had so far been justified.

The report was unanimously adopted.

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

SATISFACTORY RESULTS

SIR BERTRAM HORNSBY'S STATEMENT

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held, on the 25th instant, at 24, Cornhill, London, E.C.

The following is an extract from the statement of the chairman, Sir Bertram Hornsby, circulated with the report and accounts for the year 1942:—

FIRE DEPARTMENT

The outcome of the company's operations in 1942 has been satisfactory. In the fire department the premium income at £5,945,573 shows an increase of £131,980 over that of 1941. There is a net underwriting profit of 8.9 per cent.; £550,000 is transferred to profit and loss account and the fire fund now amounts to £7,223,818, or 121.5 per cent. of the premium income. In the United Kingdom our premium income shows a substantial increase, but losses were heavier.

LIFE DEPARTMENT

In the life department the process of recovery from the first effects of the war continued satisfactorily. The amount of new sums assured after deduction of re-assurances was £4,442,842, an increase of £635,904; the premium income of £2,090,174 was up by £85,971, and the life fund increased by £794,316 to £30,711,980.

This being the last year of a quinquennial, the assets of the life fund have been carefully reviewed. The surplus amounted to £2,503,894. It was decided that a distribution should be made now of £1,456,406, of which £1,298,120 is used to provide a bonus to policyholders at a rate approximately four-sevenths of that last declared and the balance goes to the stockholders. It has been decided to continue for this year to allow interim bonuses at a somewhat lower rate in the case of those policies becoming claims.

MARINE DEPARTMENT

The net premiums in the marine department amounted to £2,989,153 and claims paid and outstanding to £2,162,015; £150,000 has been transferred to profit and loss account. The substantial increase of £1,512,498 in premium income has followed the entry of the United States of America into the war. The marine fund now stands at £2,628,167, or 87.9 per cent. of the premium income.

ACCIDENT DEPARTMENT

In the accident department the premium income at £7,735,594 shows a reduction, as might have been expected. The amount of the reduction is £606,584, and there emerges a profit of £1,244,890, or 16.1 per cent.

PROFIT AND LOSS ACCOUNT

In the profit and loss account transfers from departmental accounts totalling £1,800,000 exceed last year's figure by £350,000. Taxation paid and provided is the huge figure of £1,915,683. This is £663,099 more than last year, and represents no less than 11.5 per cent. of the combined fire, marine and accident premium income for the year.

The usual appropriations are made to guarantee and pension fund and for writing down freehold premises, and £250,000 is transferred to contingencies and taxation fund, raising that fund to £1,066,365. The balance remaining will meet the cost of the final dividend of 3s. 6d. per £1 stock recommended by the directors and leave £223,340 to be carried forward, an increase of £25,838.

THE EASTERN BANK, LIMITED

DIVIDEND RAISED TO 5 PER CENT.

SIR JAMES LEIGH-WOOD'S STATEMENT

The annual general meeting of The Eastern Bank, Limited, will be held the 9th proximo in London.

The following statement of the chairman, Sir James Leigh-Wood, K.B.E., C.B., C.M.G., has been circulated with the report and accounts for the past year:—

It is with sorrow that I have to record the death of Sir John Caulcutt. This sudden loss following shortly after the resignation of Sir Bertram Hornsby owing to ill health, has deprived the board of the wise counsel of two distinguished bankers. They will be sadly missed by their colleagues on the board.

We have invited Sir Harold Snagge, K.B.E., to join the board, and his name will be submitted for election at the general meeting. I am sure his long experience as a merchant and banker will be of great value to the bank.

Paper restrictions entail further compression in this statement of our affairs, and there is indeed little for me to add to the accounts as presented.

NET PROFIT MAINTAINED.

The net profit of £95,580 6s. 10d. is virtually the same as that shown last year. The total dividend for the year of 5 per cent. compares with 4½ per cent. for 1941, and £45,000 has been appropriated to contingencies and property account as shown in the report. All assets in Singapore have been written off other than cash deposited with bankers or with the Government of the Straits Settlements and an investment in the Government Three per Cent. Loan of 1940.

Current and deposit accounts have continued to increase, being nearly £4,000,000 greater than those shown in last year's balance-sheet. Bills payable are slightly down and the further falling off in acceptances on account of customers by £33,000 reflects the continued restriction in merchants' business.

On the other side, while our cash and bills receivable show little change, our investments in short-term Government securities are greater by £4,846,000.

We regret to note a decline of some £680,000 in our advances to customers, mainly due to abundant money.

With regard to exchange transactions as well as to advances, maritime trade being so much under Government control, all we can hope to do is to maintain our share of the dwindling volume requiring bank finance.

POSITION IN INDIA AND IRAQ

The Government of India has paid off all but a small amount of its public debt held in this country and has accumulated further substantial balances of sterling.

The kingdom of Iraq has also been prosperous and has given notice to redeem the balance of the 4½ per Cent. Loan for £1,000,000 issued in London in 1937.

The effect of expanding note currencies in India and Iraq is reflected in greatly increased prices for foodstuffs, particularly to the embarrassment of our local clerical staff, whom we continue to assist by grants-in-aid.

Since our last report two members of our British staff serving with the Forces have been killed and one taken prisoner of war; all efforts to obtain further news of our Singapore staff have been unsuccessful. We extend our sympathy to the relatives of these men in their sorrow and anxieties.

In conclusion, on behalf of my colleagues and of the shareholders at home and in India, I wish once again to express appreciation of the services rendered by our staff of all grades during a year of increasing difficulty.

INCORPORATED ACCOUNTANTS

CO-ORDINATION NOT MONOPOLY

The annual general meeting of the Society of Incorporated Accountants and Auditors was held, on the 20th instant, at the Incorporated Accountants' Hall, Victoria Embankment, W.C. Mr Richard A. Witty, F.S.A.A., the president, was in the chair.

The chairman, in the course of his address, said that in regard to co-ordination in the accountancy profession, the Councils of the Institute of Chartered Accountants in England and Wales, the three Scottish Societies of Chartered Accountants, the Society of Incorporated Accountants, and the Association of Certified and Corporate Accountants, had appointed special committees who had met together to consider the matter. Progress had been made, but a definite pronouncement as to details was not yet possible. The proposals would be an attempt to embody the following broad principles: (a) the setting up of a co-ordinating council; (b) the maintenance intact of the status and designations of Incorporated Accountants and members of other accountancy bodies; and (c) the assurance that none shall be in public practice as accountants without having received adequate and proper training and experience. He emphasised that there could be nothing in the nature of a monopoly. The ever-increasing responsibility placed upon qualified accountants made it imperative that the profession should have a statutory basis. Incorporated accountants had striven towards the goal of co-ordination for many years and they would specially welcome the opportunity of working in still closer harmony with other branches of the profession.

TAXATION QUESTIONS

The society had accepted with pleasure the invitation of the Institute of Chartered Accountants to join in presenting a memorandum to the Board of Inland Revenue on questions concerning E.P.T. and taxation generally. There was every reason to believe that the Board of Inland Revenue would be prepared to continue discussions with a Taxation Committee representative of the whole profession.

The proper determination of the Government to take the profit out of war, mainly through costing and E.P.T., had inferentially led to some suspicion of the profit motive. The profit motive was an honourable motive. It was the incentive for effort, and effort was the proof of a nation's vitality. Private enterprise implied the profit motive, but that was no reason for maintaining that private enterprise should be regulated, governed, controlled, planned, supervised, concentrated and restricted by statutory rules and orders. He recognised that immediately after the war some degree of control would be necessary in the interests of the nation and of commerce itself, but he hoped this control would be transitional.

POST-WAR PROBLEMS

The Research Committee of the Society had resumed its activities. Its purpose was to consider major questions directly relating to public practice, to make pronouncements from time to time for professional guidance and to issue suitable publications.

Without deflecting the attention of members from the serious preoccupations of the war, the Council had considered the policy of the society to be pursued after the war in relation to its examinations and membership. An advisory committee had prepared a report and he expected that it would reflect the view of the Council that the Society must call for increasing the standards in education, training and efficiency, especially in the unknown conditions of the future. The treatment of a large number of candidates serving with H.M. Forces would have separate consideration by a special committee.

THE DAILY MIRROR NEWSPAPERS, LIMITED

MR JOHN COWLEY'S REVIEW

The twenty-third ordinary general meeting of the Daily Mirror Newspapers, Limited, was held on the 19th instant, at the Memorial Hall, London, E.C.

Following is the statement of the chairman, Mr John Cowley, which was circulated with the report and accounts:

Although again we have had a very good trading year, you will notice that the payment of the final dividend of 5 per cent. on the ordinary stock which we recommend, making a total of 10 per cent. for the year, makes another inroad into our carry forward. This position is caused by the very heavy provision we have had to make for excess profits tax. I have in previous years expressed my views on this burden. Our hopes of receiving a dividend on our large shareholding in Anglo-Canadian Pulp and Paper Mills, Limited, have not been fulfilled. It would be idle to say we are not keenly disappointed, but the many temporary adverse factors, due to war-time conditions, in Canada and the United States which have prompted the directors of that company to decide not to make a dividend declaration are well understood here. I am glad to be able to say that the dividends accruing to the company from our other many and varied investments have been very satisfactory.

PAPER SUPPLIES POSITION SATISFACTORY

The position of paper supplies, after three and a half years of war, may be regarded as satisfactory. We obtain the whole of our newsprint through the auspices of the Newsprint Supply Company, which company, working in collaboration with the Ministry of Supply, has contrived to give every newspaper, national and provincial, a square deal. In looking forward to a continuation of supplies of newsprint with some confidence, I would stress the need of a real nationwide effort to collect wastepaper, which apart from its use in the making of newsprint, is valuable for other purposes in many spheres of war-time industries. Indeed, it behoves everyone to further in every possible way the collection of those waste materials which are so needful to the country at this time.

Newspaper sales are fixed and, as you may be aware from experience, very few, if any, copies are available for chance readers. The old follies of gift schemes, canvassing and free insurance have disappeared into newspaper history. In regard to this, I may add that I trust history will not repeat itself.

INVESTMENTS

The company's investments have not altered greatly during the year, apart from a subscription of £50,000 for Savings Bonds. During the recent "Wings for Victory" week we took up another £50,000 worth, bringing our war-time investment in Government stocks to £225,000. You will notice that the reference on the balance-sheet as to the value of the investments does not include quoted shares. These have had a very considerable recovery, and in the aggregate are now worth a great deal more than the figure at which they stand in our books.

In spite of the many difficulties which beset war-time newspaper production, our editorial staffs continue to produce an attractive and distinctive paper daily.

In addition to editorial staffs, the production of newspapers calls for the labour of many skilled hands engaged in many diverse operations. You may imagine it is not an easy task to reconcile the needs of our industry with the ever-increasing demands for the release of labour for the direct service of the nation. The position creates a problem difficult of solution.

Last year my brief remarks ended with these words: "I record sincere thanks to all members of the staff for their loyal service. During the year many more of our people have left us for National duty. Those who remain gladly carry on to the best advantage, and with goodwill and helpfulness ease the care of management. To those members of the staff who are serving their country in so many diverse ways at home and in many parts of the world I would like to send a message of greeting and thanks. They are bearing our burden, preserving our present, and ensuring our future. We wish them a safe return."

I repeat them, because I believe they express our feelings very simply and honestly.

The report and accounts were unanimously approved, and the auditors, Messrs Deloitte, Plender, Griffiths and Co., were reappointed.

SUNDAY PICTORIAL NEWSPAPERS (1920), LIMITED

MR JOHN COWLEY'S STATEMENT

DIVIDEND INCREASED

The twenty-third ordinary general meeting of Sunday Pictorial Newspapers (1920), Limited, was held on the 19th instant, at the Memorial Hall, London, E.C.

Following is the statement of the chairman, Mr John Cowley, which was circulated with the report and accounts:—

The accounts for the year ended February 28th last show a profit of £222,573 6s. 6d. after providing for taxation, working, office and other expenses, contingencies, etc.

The dividends received from our investments improved, and it has not been thought needful to transfer to the contingencies account so much as we did last year.

In consequence, our showing is considerably better. From the directors' report you will see an appropriation of £20,000 is made for the reserve account, and £5,000 is earmarked as a provision for pensions. In recent years, we have built up our taxation reserve to £100,000. As this amount should suffice to cover any income-tax payment for which we may be liable on January 1st next, we do not propose to add to this reserve.

THE DIVIDEND

An interim dividend of 5 per cent. was paid last November, and the final dividend of 10 per cent. proposed will make a total distribution of 15 per cent. for the year on the ordinary capital against 12½ per cent. Very careful consideration has been given to this matter, and we hope the ordinary stockholders will approve the decision made to recommend the payment of 2½ per cent. more than last year.

I do not think it needful to make detailed references to the changes in our balance-sheet figures. You will notice that the investments total is exactly £50,000 more than a year ago, reflecting a subscription made for Savings Bonds.

During the recent "Wings for Victory" week, we took up another £50,000 3 per cent. Savings Bonds. I may mention that the voluntary work done by our employees in connection with the War Savings groups at our offices and works has been continued with fruitful results.

You will notice a footnote on our balance-sheet: "In the opinion of the directors any depreciation in the value of the unquoted shares is covered by reserves." Last year the footnote covered shares with a Stock Exchange quotation as well, but I am very pleased to inform you that the market price of such shares in our portfolio now exceeds the book value by a comfortable margin.

CONTINUED PROSPERITY OF "SUNDAY PICTORIAL"

Again I am glad to be able to tell you that the *Sunday Pictorial* has prospered. Our sales are as large as the strictly limited quantity of newsprint we are allowed to use will permit. Distribution arrangements are made with great care. Readers will appreciate that with a demand for the *Sunday Pictorial* greatly exceeding the number we are able to supply, unavoidable disappointment must be caused to those unable to obtain a copy.

The advertisement revenue was very satisfactory, and we regret that we have had to disappoint many advertisers who desired to use our columns for their announcements.

As time goes on our labour problems do not grow less, and as more people are called to National duties, a greater burden and responsibility falls on those who are left. It is a pleasure to me to record that they have gladly and willingly responded, and have been unfailing in their loyalty and zeal to serve your company in every possible way. Personally, and on your behalf, I thank them.

The report and accounts were unanimously approved, and the auditors, Messrs Deloitte, Plender, Griffiths and Co., were reappointed.

STEWARTS AND LLOYDS, LIMITED

MR A. C. MACDIARMID'S STATEMENT

The fifty-third ordinary general meeting of Stewarts and Lloyds, Limited, was held, on Tuesday, May 18th, at the registered office of the company in Glasgow. Mr A. C. Macdiarmid, the chairman of the company, presided.

The notice calling the meeting was held as read, and the secretary (Mr L. M. T. Castle) read the auditors' report.

The chairman said:—
A copy of the directors' report was sent to each stockholder, and I presume you will, as usual, agree to hold it as read.

For reasons with which you are now familiar, I am not at liberty to make a speech on the customary lines, but I shall read to you my statement circulated with the report and accounts.

"This statement is being issued with the report and accounts in place of the speech which, under normal circumstances, I should have made at the annual general meeting to be held in Glasgow on the 18th instant. Cards of admission to the meeting, which will be formal, are not being issued. A quorum has been arranged, but any stockholder who wishes to be present will be welcome.

Stockholders will appreciate that it is not possible for me to make the usual review of the company's activities. The accounts submitted show that the company's affairs are in a sound condition.

During the year the company took over the assets and liabilities of a subsidiary company, the Newport and South Wales Tube Company, Limited. The dividend received out of profits retained in former years by a subsidiary company shown separately in the statement of consolidated profits, formed a part of this transaction. The loan from bankers, amounting to £200,000, which appears under the balance sheet heading 'Current Liabilities and Provisions,' was included with the liabilities taken over from this subsidiary company and, by agreement, is not repayable until December 31, 1946. The loan of £1,000,000 which appeared under the same heading in last year's balance sheet was repaid during 1942.

The directors again wish to express their appreciation of the services rendered by the whole body of staff and employees of the company under difficult and trying conditions."

The report and accounts were adopted and the resolutions regarding payment of dividends, the re-election of directors and auditors were duly passed.

AULT AND WIBORG, LIMITED

RECORD PROFIT

The ninth ordinary general meeting of Ault and Wiborg, Limited, was held, on the 14th instant, in London.

Mr Gerald Wellesley (the chairman) said that the profit for the year was the highest yet earned in the company's history and amounted to £80,068. The directors recommended dividends totalling 10 per cent. on the ordinary shares and were carrying forward £21,951, against £17,239 a year ago. During the past year the net assets of the company had increased by £43,605, bringing the total increase since the company's formation eight years and nine months ago to £206,228.

The figures were particularly satisfactory in view of the fact that the country's consumption of ink and rollers, which in normal times provided almost the whole of their output, had continued to decline. Despite that their own production of those goods for the general printing trade, and for the newspapers and periodicals which were so essential to the community in these times, had been well maintained. A very considerable increase had also taken place in their turnover of paints, varnishes and metal decorating products.

During the year under review their efforts to broaden the basis of their business had borne increasing fruit. Production in lines directly applicable to the war effort had expanded steadily and continued to do so. While the attention of the board and staff were largely concentrated on making the best use of the company's plant and equipment, having regard to the present circumstances, sight had not been lost of the substantial developments which

(Continued from page 666)

has been asked to report as rapidly as possible. No doubt it will produce an excellent report. Past experience has shown, especially in so far as London's communications are concerned, that the real difficulties begin when it comes to translate recommendations into practice.

The New Ration Book

Distribution of the new ration book, which will come into use on July 25th, was begun last Monday. The method is simple: consumers are collecting the books from their local food office, in alphabetical order. Announcements are being made locally as each batch is ready. All the consumer ration documents are being issued in one volume; even the clothing book has been bound in. The chief innovation in the food book is the printing of the coupons for the main rationed foods (meat, eggs, fats, cheese, bacon, sugar and preserves) on one page, instead of giving each a page to itself. In this way, all these rations are accommodated on four pages of the book. It will be of great assistance to the housewife, who can see at a glance which of her rations she has bought, and it will save shopkeepers the trouble of turning over pages, although they may grumble at first at the smallness of the space provided for cancelling the coupons. Tea coupons, which have to be cut out, are smaller than the current ones. There are three spares, K, L and M, of the same design as the tea coupons. Points are similar in design and layout to the current ones. Personal points (the present ones are for sweets and chocolate) can be detached page by page. There is no page marked for soap, but there are two panels on the back cover, and a grid on the inside front cover. The book has been simplified in many small details to make it easier to deal with at the shop counter. One criticism can be made: although the coupons are numbered for each week of the ration year, there is no key to the date of the numbers. Leaving out the dates may be a precaution in case it becomes necessary to change the date on which the new book comes into use. The Board of Trade advises the detaching of the clothing book on receipt of the complete book, since it will not be valid until September 1st. It, too, is an improvement on the current book. It is the same size as the food book, and consists of three pages in bright pink covers. The first two pages contain 36 cloth-

had taken place in their primary industries. All their factories and also those of their subsidiaries were actively employed, and the various lines they were manufacturing covered a very wide range. The report was adopted.

PARNALL AIRCRAFT, LIMITED

CONTINUED EXPANSION

The adjourned seventh ordinary general meeting of Parnall Aircraft, Limited, was held, on the 13th instant, in London, W., Sir Ernest Simon, M.I.C.E., M.I.Mech.E. (the chairman), presiding.

The following are extracts from the statement by the chairman which was circulated with the report and accounts: The balance sheet has been prepared on conservative lines and the board hope it may be possible at the end of the next financial year to present consolidated accounts embodying all subsidiaries.

Reference has been made previously to the incidence of excess profits tax, on the net earnings of the company. Such taxation is penal in its severity, and it is to be hoped the Government will recognise this inequitable position and modify the present legislative anomalies.

Addressing the shareholders at the meeting, the chairman said: I very much regret the inordinate delay in presenting these accounts, but it has been due to facts beyond our control, but steps have now been taken to avoid that happening again, and I hope the next annual meeting will be held at some reasonable date before the end of this year.

Regarding the accounts, the most striking point, I think, is the fact that the current

assets have increased by £1,000,000, and this reflects the very substantial increase in the turnover of the company and the services which the company has rendered to the national war effort. The profit for the year at £96,883 is almost exactly the same as in the previous year. We have had to allow for income tax the sum of £70,000, against £56,000 last year, which leaves £27,000 available, of which £18,750 is required to pay 5 per cent on the shares. The report was unanimously adopted.

BRITISH MATCH CORPORATION LIMITED

The sixteenth ordinary general meeting of British Match Corporation Limited, was held, on the 19th instant, in London. Sir Clarence E. Bartholomew, O.B.E. (chairman and managing director of the company) presided.

The chairman submitted the report of directors, which states:

The net revenue for the year ended April 30, 1943, amounted to £336,777, to which has to be added the balance brought forward, £94,524, and after allowing for the dividends already paid, which absorbed £92,297, there is a balance of £339,004 available for distribution.

The directors recommend placing to dividend equalisation reserve £50,000, the payment of dividend on the preference stock for the half-year to April 30, 1943, and a final dividend on the ordinary stock of 5½ per cent., making a total of 8 per cent. for the year, leaving £104,874 to be carried forward.

Subsidiary and associated companies, at home and overseas, have continued to operate satisfactorily in spite of difficult conditions.

The report was unanimously adopted.

ing coupons, four of which are divided into quarters. The third page consists of four "token" coupons, which provide an instrument of flexibility, since any value can be assigned to them, and 14 other coupons, the purpose of which has not been disclosed. The ration book is a neat, compact, simple and well-designed document.

* * *

Industrial Diamonds

At the annual meeting of the Anglo-American Investment Trust two weeks ago, Sir Ernest Oppenheimer revealed that, in 1942, the syndicate sold stones valued at £10,500,000, of which £4,250,000, or roughly 40 per cent, were accounted for by industrial diamonds. Total sales, the highest since 1929, showed an increase of £3,000,000 on the year, and were about £500,000 higher than the trade had expected. Sir Ernest gave the first authoritative statement of the sales of industrial diamonds since the outbreak of war. Despite the fact that it was generally known that the war had raised demand for industrial diamonds to unprecedented levels, the figure given exceeded all expectations. Before the war the share of industrials in the total diamond turnover used to be less than one-quarter in value, although it approached two-thirds in quantity. Owing to the fact that prices for industrial stones have been stabilised at pre-war levels, while gem stones have seen a sharp and continuous advance, it was not believed that the share in sales values had materially risen during the war. From Sir Ernest's figure, it can be estimated that last year the share of industrial stones in the quantitative diamond turnover must have been well over 90 per cent. The limit has by no means been reached. The *Wall Street Journal* recently estimated that the United States would use 5½ million carats of industrial diamonds this year, one million carats more than last year's figure, which was already four and a-half times as large as the highest pre-war consumption figure. The steep increase in consumption is not only due to wider demand for well-established uses; in addition, the range of diamond tools is being rapidly multiplied. The United Nations, despite their control over virtually the entire world supply, had recently to take measures to extend and regulate the flow of industrial stones, which include the diversion of certain types of cheaper gem stones into the market for industrial diamonds.

London

★

New York

* Two-hour session only.

Farm Machinery.—The Farm Machinery (Control of Manufacture and Supply) Order and the Farm Machinery (Prescribed Types) Order (S.R. and O., 1943, Nos. 693 and 694) have been made by the Minister of Agriculture. Under the first Order the Government can regulate output, fix prices and impose conditions of sale. Manufacturers and retailers (except those selling spare parts) must be licensed after July 31st. The second Order prescribes the types of machinery of which retail sale becomes subject to regulation under the main Order. Dealers may only sell to farmers against certificates granted by the county war agricultural executive committees.

Capital Issues

* Highest level reached during 1932-37 recovery.

MONEY MARKET

Exchange Rates—The following rates fixed by the Bank of England remained unchanged between May 14th and May 20th. (Figures in brackets are par of exchange.)

United States. \$ (*4.862*) *4-024-03*; mail transfers *4-024-03-38*. **Canada.** \$ (*4.862*) *4-43-47*; mail transfers *4-43-47-47*. **Switzerland.** F.cs (*25-224*) *17-30-40*. **Sweden.** Krona (*18-159*) T.T. *16-85-95*, bank notes at Bank of England, *17-40-48*. **Dutch West Indies.** Florin (*18-11*) *7-58-62*; mar. transfers *7-58-64*. **Portugal.** Escudos (*1100*) *99-80-100*; mail transfers *99-80-100-30*. **Panama.** \$ *4-02-04*. **Paraguay.** \$ *4-02-04*. **Brazil.** \$ *83-64* cr. [buying]. **Uruguay.** \$ *7-65-04* [buying].

Fixed Rates for Payment at Bank of England for Clearing Office. **Spain.** Peseta *40-50* (Official rate). **Turkey.** Piastres *250*. **Italy.** *71-25* lire.

Market Rates.—The following rates remained unchanged between May 14th and May 20th:

Egypt. Piastres (97½) 97½-£. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs 176½-£. **China.** National 5 2½-3½d. **Iran.** Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account is 15-98 pesos.

Forward Rates.—Forward rates for one month have remained unchanged as follows: **United States.** $\frac{1}{2}$ cent pm.-par. **Canada.** $\frac{1}{2}$ cent pm.-par. **Switzerland.** $\frac{3}{4}$ cents pm.-par. **Sweden.** 3 ore pm.-par.

MONEY RATES, LONDON.—The following rates remained unchanged between May 14th and May 20th:—
Bank rate, 2% (changed from 3% October 26, 1939).
Discount rates: Bank Bills 60 days $1\frac{1}{2}$ %, 3 months

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £950 million to £1,000 million on April 13, 1943.

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 d.	Two Months d.
May 13	23	23
" 14	23	23
" 17	23	23
" 18	23	23
" 19	23	23

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, 1-1 $\frac{1}{2}$ %; 3 months, 1 $\frac{1}{2}$ %.
Day-to-day money, 1-1 $\frac{1}{2}$ %. Short Loans, 1-1 $\frac{1}{2}$ %.
Bank deposit rates $\frac{1}{2}$ %. Discount deposit at call $\frac{1}{2}$ %;
at notice 1 $\frac{1}{2}$ %.

NEW YORK EXCHANGE RATES

New York on	May 12	May 13	May 14	May 15	May 17	May 18
----------------	-----------	-----------	-----------	-----------	-----------	-----------

Cables :—	Cents	Cents	Cents	Cents	Cents	Cents
London	402½	402½	402½	402½	402½	402½
Montreal	90-180	90-180	90-180	90-180	90-180	90-180
Zurich	23-33½	23-33½	23-33½	23-33½	23-33½	23-33½
B. Aires	25-10*	25-10*	25-10*	25-10*	25-10*	25-10*
Rio.....	5-18	5-18	5-18	5-18	5-18	5-18

* Official buying rate 29-78. † Free rate 37-00. \$ Bid.

PROVINCIAL BANK CLEARINGS

	£ thousands			
	Week Ended	Aggregate Jan. 1 to	May 15, 1943	May 15, 1943
	May 16, 1942	May 15, 1942	May 15, 1942	May 15, 1943
Working days:	6	6	115	114
Birmingham	2,103	2,403	50,285	49,712
Bradford	2,594	2,205	44,721	39,988
Bristol	2,663	650	46,095	13,794
Hull	784	495	16,124	12,802
Leeds	709	826	23,152	23,094
Leicester	415	878	17,485	17,732
Liverpool	4,359	94,827	89,503	
Manchester	11,023	11,731	243,822	244,420
Newcastle	1,517	1,709	31,385	29,807
Nottingham	617	427	9,816	9,968
Sheffield	602	736	17,938	20,183
Southampton	214	109	2,485	2,801
12 Towns	27,998	29,704	598,134	553,804
Dublin*	6,172	7,096	132,382	139,535

* May 9, 1942, and May 8, 1943.

OVERSEAS BANK RETURNS

AUSTRALIAN COMMONWEALTH BANK—Million £A's

	Feb. 9, 1942	Jan. 25, 1943	Feb. 1, 1943	Feb. 8, 1943
ASSETS				
Gold and English ster.	21.95	31.39	31.39	32.64
Other coin, bullion, etc.	7.10	11.36	10.14	8.25
Call money, London	31.25	45.89	44.15	39.06
Secrts. and Treas. bills	94.71	164.86	172.11	176.01
Discounts and advances	31.55	21.92	22.72	25.86
LIABILITIES				
Notes issued	82.11	124.11	124.11	125.11
Deposits, etc.	152.69	155.32	160.99	157.82

U.S. FEDERAL RESERVE

	Million \$'s			
	May 15, 1942	April 15, 1942	May 15, 1943	May 15, 1943
12 U.S.F.R. BANKS				
Resources	14,293	14,293	20,256	20,256
Gold certifs. on hand and due from Treasury	20,512	20,259	20,256	20,256
Total reserve	20,826	20,662	20,655	20,657
Total cash reserves	319	398	352	355
Total U.S. Govt. secs.	2,484	6,347	6,531	6,172
Total bills and sec.	2,503	6,389	6,560	6,211
Total resources	24,625	28,786	28,918	28,544
LIABILITIES				
F.R. notes in circ.	8,909	13,068	13,158	13,200
Excess res. bank res.	2,350	2,280	2,150	1,730
Mr. bank res. dep.	12,667	12,149	11,090	11,805
Govt. deposits	158	443	722	630
Total deposits	14,296	14,002	14,099	13,707
Total liabilities	24,625	28,786	28,948	28,544
Reserve ratio	89.9%	76.3%	75.8%	76.7%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,706	22,472	22,473	22,454
Treasury & bank currency	3,294	4,069	4,014	4,044
LIABILITIES				
Money in circulation	11,861	16,993	16,685	16,741
Treasury cash and dep.	2,549	2,677	2,967	2,882

BANK OF CANADA

	Million Can. \$			
	April 15, 1942	March 31, 1942	April 7, 1943	April 14, 1943
Assets				
Reserve: Gold	232.2	0.3	0.2	0.1
Other	597.4	1028.9	1043.4	1056.5
LIABILITIES				
Note circulation	515.4	719.1	728.0	731.4
Deposits: Dom. Govt.	93.9	21.2	46.3	29.3
Chartered banks	213.1	261.0	245.8	257.1

* Gold and foreign exchange transferred to Foreign Exchange Control Board against securities.

SOUTH AFRICAN RESERVE BANK

	Million £'s			
	April 10, 1942	March 26, 1942	April 2, 1943	April 9, 1943
Assets				
Gold coin and bullion	49.80	65.16	66.06	66.92
Bills discounted	4.57	6.81	9.19	8.45
Invest. and other assets	55.28	61.15	82.08	81.26
LIABILITIES				
Notes in circulation	29.15	39.06	41.37	39.98
Deposits: Government	15.19	12.78	12.37	10.84
Bankers	55.00	91.66	91.88	95.67
Others	5.83	4.83	5.48	6.04
Reserve ratio	47.5%	44.1%	43.6%	44.1%

BANK OF PORTUGAL

	Million escudos			
	Nov. 26, 1941	Nov. 11, 1941	Nov. 18, 1942	Nov. 25, 1942
Assets				
Gold	1337.6	1381.2	1381.2	1383.5
Balances abroad	1687.5	1512.7	1512.7	1383.5
Discounts	322.0	246.9	243.5	240.6
Securities	329.4	354.8	354.8	354.8
LIABILITIES				
Notes in circulation	3910.6	5107.6	5138.3	5176.1
Deposits: Government	426.5	1748.7	1782.7	1651.7
Bankers	2433.0	4197.9	4164.7	4253.1
Others	328.5	381.9	366.8	344.6
Foreign commitments	257.5	235.5	235.5	235.5

UNITED KINGDOM: MONTHLY STATISTICS

	Unit of Measurement	Monthly Average						1942						1943			
		1929	1932	1939	1940	1941	1942	Mar.	Apr.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
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	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
2. " Other merchandise		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
3. " Total		100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
4. Registered unemployed G.B.*	Thousands	1,212	2,756	1,514	965	350	123	136	127	104	101	95	87	121	107	107	80
5. " United Kingdom (a)		1,276	2,813	1,690	1,035	392	144	161	149	122	119	114	107	121	107	107	107
6. " London		118	306	239	214	59	29	32	33	24	24	22	19	21	21	21	5
7. " E. and S. England (b)		50	142	93	99	28	10	14	14	9	9	8	6	9	9	9	2
8. " S.W. England (c)		69	157	76	33	16	9	10	6	5	5	4	5	7	7	7	3
9. " Midlands & N. Midlands (d) (e)		165	371	153	92	28	8	10	9	7	6	6	5	6	6	6	5
10. " N.E. England (d)		280	602	151	95	28	8	14	13	13	12	10	11	11	11	11	10
11. " N.W. England (d)		285	562	139	89	37	13	13	13	11	10	10	9	11	11	11	9
12. " Northern		156	378	217	125	51	24	25	24	21	21	20	19	21	21	21	18
13. " Wales		116	228	127	89	41	14	13	13	13	12	11	11	11	11	11	12
14. " Northern Ireland		36	68	76	75	42	21	25	21	18	18	19	20	22	22	22	...
15. " Northern Ireland		676	541	107	78	87	126	43	63	53	337	93	90	37	34	122	...
16. Industr. disputes. No. days lost...		100	70.4	76.2	93.9	102.4	110.1	113.5	114.8	111.5	107.8	109.3	111.5	112.3	112.7	113.5	114.1
17. " Cereals and meat...		100	72.8	76.4	95.4	111.0	118.3	116.0	115.5	123.0	121.8	120.4	121.7	122.8	125.1	125.1	125.3
18. " Other foods...		100	53.4	61.8	93.0	100.7	100.7	101.2	101.2	100.8	100.7	100.7	100.1	102.5	99.9	100.2	101.4
19. Textiles		100	75.3	100.0	95.2	137.7	139.2	136.7	136.7	143.5	143.5	143.5	143.5	141.1	141.1	142.2	142.2
20. Minerals		100	67.8	80.3	104.3	114.4	120.1	119.4	119.7	122.1	120.9	121.1	122.0	122.8	122.7	123.6	124.0
21. Total, incl. miscellaneous		100	67.8	80.3	104.3	114.4	120.1	119.4	119.7	122.1	120.9	121.1	122.0	122.8	122.7	123.6	124.0
22. Cost of Living: Min. of Labour:		100	81.8	92.4	107.2	108.7	104.9	103.9	103.9	105.2	105.8	106.5	106.5	106.5	107.1	107.1	107.1
23. Food		100	87.8	96.4	113.1	121.4	121.9	121.3	121.3	122.0	122.0	122.0	121.3	121.3	121.3	121.3	121.3
24. Industrial securities, Fin. News...		100	64.0	78.1	68.2	74.3	82.9	75.8	76.9	86.5	90.4	92.9	93.7	97.2	96.4	97.6	98.5
25. Fixed interest		100	96.8	113.6	118.8	129.6	133.9	134.7	134.6	133.1	134.3	134.3	134.3	135.6	135.6	136.7	136.1
26. Govt. Revenue, cumulative (f)...	Mill. £'s	815.0	827.0	1132.2	1495.3	2174.6	2922.4	2174.6	146.0	1215.7	1443.1	1632.6	1846.0	2230.7	2599.4	2922.4	157.1
27. " expenditure (f)...		829.5	859.3	1408.2	2397.0	4787.6	5739.9	4787.6	360.1	2646.6	5140.4	5584.8	8134.9	4678.7	5147.4	5739.9	405.4
28. Bank of Eng.: Notes in circ. (g)		362.3	258.5	509.9	566.1	651.3	806.9	753.6	765.2	832.5	846.9	903.9	912.9	914.4	927.9	943.8	943.8
29. " Bankers' deposits (g)		62.9	81.3	102.9	111.2	121.1	136.3	135.0	125.5	135.9	138.3	139.1	159.5	161.6	152.4	159.1	172.0
30. " Gov. sec. B'king Dept. (g)		55.9	64.0	107.0	143	142.8	150.7	163.7	149.8	135.9	153.2	174.4	159.0	185.5	173.8	186.6	159.3
31. Clearing Banks: (h)		1,738	1,791	2,248	2,484	2,970	3,376	3,072	3,081	3,358	3,424	3,472	3,629	3,577	3,525	3,542	3,545
32. " Deposits		194	187	244	265	311	344	347	319	349	350	367	390	378	373	377	375
33. " Cash & bal. with B.E.		229	308	255	366	231	235	163	258	277	271	241	198	197	148	172	128
34. " Discounts		991	844	991	944	849	795	838	821	744	773	763	773	758	761	776	756
35. " Treasury Deposit Receipts		237	348	608	659	919	1,069	1,050	1,048	1,097	1,108	1,117	1,120	1,112	1,108	1,132	1,137
36. " Advances		5.498	3.008	2.24	2	2	2	2	2	2	2	2	2	2	2	2	2
37. Interest Rates: Bank rate	Per cent.	5.25	1.87	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	1.03
38. " Three months' bank bills		4.47	1.61	0.76	0.76	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
39. " Day to day loans		4.61	3.75	3.76	3.40	3.12	3.02	3.01	3.02	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
40. " Yield on 2 1/2% Consols																	

* From March, 1942, figures are exclusive of men classified as unsuitable for ordinary industrial employment, and women unsuitable for normal full-time employment.

(a) 1937, average January to August; figures for September-December not comparable owing to revised method of counting adopted in September, 1937

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)

Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 3,900 Agencies at Post Offices in Australia.

As at 30th June, 1942.—General Bank Balances ... £181,729,589
 Savings Bank Balances ... 164,619,669
 Note Issue Department ... 111,950,542
 Rural Credits Department ... 2,421,174
 Other Items ... 20,380,871

£481,101,745

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

AUTHORISED CAPITAL - £50,000,000
ISSUED AND FULLY PAID-UP - £20,000,000
RESERVE FUNDS (STERLING) - £6,500,000
RESERVE FUNDS (HONGKONG CURRENCY) - £625,000
RESERVE LIABILITY OF SHAREHOLDERS - £20,000,000

Head Office (temporarily):

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
 9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts.)

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras Mandalay	Kisumu Mombasa	Kenya Colony British E.A.
Amritsar	Colombo	Nuwara	Nairobi	
Bombay	Delhi	Eliya	Nakuru	
Calcutta	Kandy	Rangoon	Entebbe	
Cawnpore	Karachi	Tatooin	Jinja	Uganda
Chittagong	Lahore	Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga	Tanganyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,200,000

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

THE ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with Limited Liability

Assets exceed \$1,000,000,000

LONDON:

Main London Branch: 6, Lothbury, E.C.2.

E. B. McInerney, Manager

West End Branch: 2-4, Cockspur Street, S.W.1.

C. H. Hunt, Manager

HEAD OFFICE: MONTREAL.

Agency in New York

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT. INSCRIBED STOCK, 1958-63

CITY OF BLOEMFONTEIN

FOUR PER CENT. INSCRIBED STOCK, 1954

CITY OF PRETORIA

THREE AND A HALF PER CENT. INSCRIBED STOCK, 1953-58

NOTICE is HEREBY GIVEN that in order to prepare the dividends due 1st July next the BALANCES of the several Accounts in the above-mentioned Stocks will be Struck on the night of the 1st June, and that on and after the 2nd June 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. 12th May, 1943.

CITY OF BLOEMFONTEIN

FIVE PER CENT. INSCRIBED STOCK, 1960.

NOTICE is HEREBY GIVEN that in order to prepare the dividend due 30th June next the BALANCES of the several Accounts in the above-mentioned Stock will be Struck on the night of the 31st May and that on and after the 1st June 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 May, 1943.

THE PROVIDENT ASSOCIATION OF LONDON, LIMITED

PROVIDENT HOUSE, 246 BISHOPSGATE, LONDON, E.C.2.

FOUNDED 1877. Authorised by Act of Parliament, Intituled Provident Association of London Act, 1910.

LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES. ATTRACTIVE ANNUITY RATES

TOTAL FUNDS

£15,782,775

W. W. BENHAM, Chairman.

Total Advances upon House Property to Policy-holders exceed

TWENTY-FOUR MILLIONS

J. G. SLEIGH, Managing Director.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5205

REGISTERED AS
A NEWSPAPER

MAY 29, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post Office

ONE
SHILLING

Laying the Ghost - - -	677	Women Engineers - - -	682
Servants of the People - - -	679	Overproduction in Canada - - -	690
Canadian Aid - - - - -	680	Department Store Outlook - - -	694

NOTES OF THE WEEK - - - - -	683	INVESTMENT - - - - -	696
-----------------------------	-----	----------------------	-----

A British Food Plan; The Pensions Debate; Price Stabilisation; Air Transport; Fears and Hopes; Freedom to Migrate; Polish-Czech Difficulties; Paying for Illness; First Discussions; Ration Books; Battle for Attu; The Wingate Expedition; The Right of Election; Youth Movement; The First Year.

Recovery in the Funds; Great Boulder Progress; Stable Profits; Dunlop Rubber; J. Lyons' Earnings; Kaffir Results; Textile Results; Oil Revenues.

AMERICAN SURVEY - - - - -	688	INDUSTRY AND TRADE - - - - -	698
---------------------------	-----	------------------------------	-----

Negroes in War Work; Fourth Term Talk Line-up; Wages and Prices; The Plot Unfolds; Lean But Healthy; Shorter Note.

Council of Agriculture on Food Production; Rural Land Utilisation; Women's Engineering Wages; Future of Cotton Industry; Overtime in the Cotton Trade; Conciliation in Coal Mining; Air Ministry Works; Pork in Quantity; Bismuth Control.

THE WORLD OVERSEAS - - - - -	690	COMPANY MEETINGS - - - - -	700
------------------------------	-----	----------------------------	-----

Overproduction in Canada; The Comintern's Record; Venezuela's Oil.

FINANCE AND BANKING - - - - -	695	RECORDS AND STATISTICS - - - - -	705
-------------------------------	-----	----------------------------------	-----

Special Assistance; Open Market Technique; Bombay Bullion Slump; Silver for Industry.

Laying the Ghost

IN formally dissolving the Comintern, the Soviet Government has laid an unhappy and unprofitable ghost. From the first moment of its inception, the Communist Third International rested on such false assumptions that as an instrument of policy it was not only a nuisance to Russia's neighbours but an inconvenience to Russia itself.

In the first chaotic years after the last war the Comintern worked in the expectation of immediate world revolution—the liquidation of the bourgeoisie and the setting up of the dictatorship of the proletariat. This hope was defeated, not only by the resistance of the Right, but by two fundamental fallacies in the Communist diagnoses. The first was their belief that class solidarity was a stronger force than nationalism. The second was their hope that the various European labour movements would become revolutionary. Both beliefs were proved completely wrong. By ignoring reality, the Comintern prepared the way for its own futility in the years that followed.

After 1921, the Russians were thrown back on their own revolution. They had to come to terms with an out-

side world in which the revolutions they had tried to back had failed, and which was now openly hostile to their ideology. It was inevitable that from these facts they should draw the further conclusion that the "capitalist Powers" were hostile to the continued existence of socialist Russia, and would sooner or later join together to crush out the first successful experiment in Communism. Here they projected their own revolutionary and ideological point of view into a non-revolutionary and non-ideological situation. The nations of Europe, the British Commonwealth and the United States were occupied with their own national problems. Their one desire was to avoid war. The earlier attempt at a war of intervention had failed and a new anti-Bolshevist crusade was unthinkable. The Russians were falling victim to a bogey, the bogey of capitalist encirclement. This was the first great false assumption of the post-revolutionary period.

The Comintern's activities naturally reflected the fears of the Russian Government. The national Communist parties had the rôle of protecting the measure of world revolution already achieved, in other words, of working for Russia. As the Soviet state itself developed in a more

and more markedly nationalist direction, the local Communist parties tended to become the instruments of the foreign policy of another national state. Each of them worked on the assumption that its own native country was only waiting for an opportunity to stab Russia in the back. The weaker and more disintegrated its own country was, the safer Russia would be. Communist activities were, therefore, anti-nationalist and anti-patriotic at a time when nationalism was the deepest emotional force in any country. Thus they became unwitting agents in the growth of exasperated fascist nationalism.

The Communists' misreading of the fundamentally pacific attitude of the outside world, particularly of the Anglo-Saxon Powers, and their under-estimate of nationalism, might have done less harm if their mistaken strategy had not helped to wreck the European Left. They combined their work for the Russian Government with the preaching of extremism: of a rigidly doctrinaire type. They poured scorn on the methods of progressive constitutional action preferred by the European trade unions and the parties on the Left. Indeed, they regarded the non-revolutionary workers as worse traitors than the Right. Their most virulent attacks were directed against Social Democrats and Labour men. They succeeded in splitting the Left in most countries into a constitutional and an anti-constitutional wing. When anti-constitutional groups arose on the Right in reaction to their activities, the Communists in the crucial years before Hitler's advent to power even at times supported the National Socialists against the "social fascists," as they called the constitutional parties of the Left.

The Popular Front represented a change in the tactics, but not in the fundamental outlook, of the Comintern. It was still primarily the agent of a foreign government, and deep suspicion—of the capitalist governments and of the non-revolutionary labour movements—continued to dominate the activities of the local Communist parties. For example, the Communist party in France after the 1936 elections refused office in a Popular Front government, preferring to snipe at M. Blum from the side lines and exasperate the bourgeois elements in the coalition. Their activities in France and Spain gave the dictators just the material they needed for plugging the theme of the Bolshevik bogey—it should not be forgotten that the alliance uniting Germany, Italy and Japan was called, for the democracies' benefit, the Anti-Comintern Pact. Nor was Russia well served. The local parties, blinded by their prejudices, reported back to the Soviet Government that the policy of appeasement was not dislike for war, coupled with military unpreparedness, but a Machiavellian plot to get the Nazis to fight Russia. The change of British policy in March, 1939, was dismissed as irrelevant. Thus the war developed in an atmosphere of "revolutionary defeatism" which within a year had brought upon Russia the disaster of the fall of France and the loss, for three crucial years, of the possibility of a Second Front in the West.

All these errors and mistaken strategies go back to a misreading of the policy of the Great Powers and of the position of the constitutional Left. The formal dissolution of the Comintern is a realistic and generous recognition that the old strategy was wrong. It is without doubt one of the greatest political events of the inter-war and war years. It can mean the liquidation of old misunderstandings. If it is welcomed generously by Russia's allies and followed up courageously by both sides, it can be the first step in a campaign to eliminate the suspicions and distrust which have hung like a dank pall over Russia's relations with the outside world. It can restore a belief in and desire for constitutional political activity all over the civilised world.

Since the Comintern originally reflected Russia's suspicions of its neighbours, to put an end once and for all to those suspicions is the only way of ensuring that the ghost is laid. The fact of fighting together has brought the Allies to the first step—the Comintern's formal dissolution. Co-operation and agreement must go much further

yet. In the war, the first need is a greater Anglo-American military contribution to the defeat of the Axis. Within the limits imposed by shipping, more supplies must also be got to Russia—the plea made by the Russian delegation at Hot Springs that more food should be sent immediately is a reminder of the crisis facing the Russian people. The really testing time will be, however, the post-war years when the overwhelming purpose of defeating Hitler will no longer act as the cement of the Grand Alliance. If broad agreement can be reached in advance, mutual suspicion and distrust will be stilled. Then there is some hope that the pursuit of common policies during the period of re-occupation, armistice and reconstruction will not be liable to disturbance every time some tactical difficulty arises. Otherwise the Powers may find themselves jockeyed into opposed policies by sheer pressure of events, and actions taken on the spur of the moment may then be interpreted as part of deep laid and hostile schemes.

Europe has lived too long with the Bolshevik bogey, and Russia with the fear of capitalist encirclement, for one formal act of exorcism to banish completely these "warlocks that peep and that mutter." There must be a period of psychological convalescence, and it can take place only in an atmosphere of constructive collaboration. It is not difficult to see where the danger points of future misunderstanding lie. They must be faced frankly now. For example, with which groups of people in Europe will the Allies deal? Will all resisting groups now make common cause? How and by what forces is Germany to be occupied? Ought the German State to be dismembered—or to be federalised? What forms of international supervision are necessary over German heavy industry? Are regional groupings desirable in Europe, particularly in Eastern Europe? Every unsettled problem is a potential entry point for fresh suspicion. It is no use hoping that the questions will settle themselves. Mr Davies is in Moscow. The Anglo-Soviet Treaty is a year old. The Comintern has been dissolved. This is a conjuncture which must be seized. The long-expected meeting between the leaders of the Great Powers should take place, and a start be made in securing a common policy for peace.

In the strictly national field, too, the dissolution of the Comintern can be the starting point of new and more prosperous political experiments. Now that the link between local Communist parties and the Russian Government has been formally broken, it is possible to consider their case on its own merits. Does the existence of a Communist Party in any country contribute to the strengthening of the forces of progress? Does it increase the power and unity of the working classes? Does it promote national solidarity and international understanding? Only a very bold man would affirm these vital propositions without any question. A narrow and doctrinaire ideology, an accepted policy of exasperating disputes and encouraging political and industrial misunderstandings, a complete disregard of consistency, a scorn for intellectual honesty, a penchant for heresy hunting and bogey raising, subservience to extra-national interests, and above all a standing excuse for political violence on the Right—this is the record of local communist parties in times of peace.

If, in spite of the Comintern's decease, the national Communist parties continue to behave as they always have behaved, then it is difficult to recommend the Right to abandon its previous dislike of them, and even more difficult to expect the constitutional Labour parties to cease regarding them as trouble-makers who should be kept at a distance. So far as concerns the domestic politics of Great Britain, for example, the dissolution of the Comintern would then have been an empty formality.

It may be, however, that this particular leopard can change his spots, and that the Communist Party of Great Britain is now prepared to occupy in British politics very much the same position as was filled for so many years by the ILP. If so, and if it will abide by the tolerant rules of the game, it will be very welcome. It is reasonable to hope that this will be the course of the future. But it is equally reasonable to wait and see.

Servants of the People

THE Civil Servant in wartime occupies an important and peculiar position. Besides running the war, he is the public scapegoat. All the vexation of wartime toil and constraint is vented against his works or lack of works. He cannot answer back, either to the charge that, automatically, he takes too much upon himself or to the accusation that, frightened of the consequences, he will not take any responsibility at all; and the criticism by which he is beset arises in part from the extraordinary demands made by war upon the technique of administration, and in part from defects in the machinery and personnel of Parliamentary government.

The attack on the Civil Service takes two forms. First, there is the familiar protest that the departments exercise what are in fact legislative and even judicial powers, without any effective check either by the courts or by Parliament. Secondly, there is the equally familiar complaint that, in the exercise of their powers, civil servants are neither efficient nor informed. The first criticism is the one voiced with much vigour by the late Lord Hewart some years ago when he inveighed against the New Despotism. It has been expressed again this week in a private Members' motion in the House of Commons requiring that "Parliament should vigilantly maintain its ancient right and duty of examining legislation, whether delegated or otherwise." The functions of government have spread so widely and into such complex fields in modern times that it is not possible for Acts of Parliament to make detailed provision for all the contingencies and circumstances in which the executive powers they confer will require to be applied. It is therefore a practice of long standing for departments to be given general authority to make Orders which shall have the force of law as if they had been part of the original Act. Inevitably, this practice has grown in wartime with the assumption by the state of powers of direction and control over the greater part of the nation's activities. Without this procedure, government under modern conditions, and, above all, in conditions of total war, would be impossible. It may be regrettable, but it is a fact that the modern state cannot be governed in detail by Act of Parliament.

It is all the more necessary, therefore, that the representatives of the people and the guardians of the law should be in a position to scrutinise executive acts, so that the intentions of Parliament in conferring these powers shall not be exceeded and so that injustice shall not be done. Formally, the necessary machinery exists. Orders must necessarily take effect promptly, but they are laid before Parliament for challenge. The courts, if appealed to, can pass judgment on whether particular Orders are *ultra vires*. The submission of the critics, however, is that these safeguards are ineffective. Far too many

Orders are made for Parliament possibly to scrutinise each one; nor is the House of Commons competent as a body to decide all the technical and legal issues involved. Similarly, the courts can say nothing about the way in which powers are applied or about the sufficiency of the reasons for their application in individual cases.

The demand is therefore for some special machinery to reinstate the legislature's control over executive acts. It is important that the real issue should be understood. In the last resort, Parliament must accept the Orders made with the authority of the Government which it supports in power. Its only alternative is to turn out the Government. The most that can be expected from any new device for more vigilant scrutiny is that Parliament might thus be placed in a better position to suggest amendments and revisions—as indeed has been done several times in the case of wartime Orders. There can be no question of reversing the development in methods of government which has produced the system of departmental Orders. The Government must have power to act appropriate to its many and varied tasks. It is reasonable, however, to seek ways and means of breathing new life into Parliament's "ancient right and duty" of vigilance. Two proposals have been made: one that there should be a standing committee of the House to examine all Orders and to report on those which seem to raise issues that the Commons should pass judgment upon; another is that there should be a series of Parliamentary committees attached to particular departments or groups of departments with the duty of examining the Orders put out by the departments under their purview. Almost certainly, however, the scrutiny of Orders is too specialised a task for miscellaneous bodies of Members to undertake. On broader grounds, there is a good case for the setting up, after the war, of standing committees of the Commons to concern themselves especially with the particular problems of broad groups of Ministries—foreign affairs, home affairs, social questions, trade and industrial matters, financial problems, and so on. The wartime Select Committee on National Expenditure has shown how usefully the time, knowledge and ability of Members can be employed. But the function of scrutinising Orders comes into rather a different category, and the kind of Parliamentary committee suitable for this purpose would probably be a small body of lawyers and experts, with professional assistance. It is not certain this innovation could be introduced effectively in wartime; but the attempt should be made. And it is quite certain that, in the revision of parliamentary procedure that will be needed after the war to make the Commons more positive and effective in their contribution to the tasks of modern government, the institution both of expert committees



EQUITY & LAW
LIFE ASSURANCE SOCIETY
Established 1844

PROTECTION IN WARTIME

● Civilian War Risk Cover without additional charge is normally granted under new Whole-Life and Endowment Assurances — whether With-Profit or Without-Profit.

● A Guaranteed Bonus each year until 1946 inclusive is provided under all new With-Profit Policies — thereafter Bonuses are dependent upon Profits.

Head Office: 163/4, STRAND, LONDON, W.C.2.
(temporarily transferred from 20, Lincoln's Inn Fields)

Telephone: TEMple Bar 0381

to carry out expert functions and of larger and more general committees to survey the facts upon which policy must be based will be necessary.

Thus, this first criticism of Civil Service administration resolves itself, on analysis, into a demand for more modern and more efficient methods of procedure in Parliament itself—and, indeed, for more able Members. The same is very largely true, in the last resort, of the second criticism, that of the competence of Civil Servants. Six months ago, the Select Committee on National Expenditure made a number of proposals for raising the efficiency of the Civil Service in modern conditions. The Government has rejected each one of the Committee's specific proposals, but has promised, first, that in every department, the work concerned with organisation and methods will be given a new importance; and, secondly, that at the Treasury the status of the official in whole-time charge of organisation and methods will be raised. Mr I. J. Pitman, a Director of the Bank of England, has been appointed to be Director of Organisation and Methods at the Treasury, an encouraging step towards a greater recognition of the need for methods of departmental administration suited to the demands of modern government and modelled upon the best practice of modern management.

These questions of technical method, however, do not go to the heart of the matter. The Civil Service is generally blamed, not for its technique, but for its tendency to "run to paper," and for its habit of burking responsibility by "passing the buck." It is, however, a hasty conclusion to suppose that these shortcomings are mainly due to the calibre and mentality of Civil Servants themselves. In part, they are an inevitable function of the size of the machine. More important, Civil Servants are only instruments. The quality of their work is largely determined by the quality of their parliamentary chiefs. Ministers, by and large, secure the service they deserve from their Civil Servants. If they have a policy, and the determination to carry it through, their Civil Servants will act with confidence and decision. It is the Ministers who are solely responsible for policy—and their officials are always aware of the criticisms that may be made in Parliament.

A much more cogent criticism is that the members of the present Service are not experienced or competent in the matters of industry, trade and finance, which are increasingly the concern of governmental direction. This is, of course, true. There is a gap in the ranks, which has had to be filled in wartime by the appointment of temporary officials with training or experience in these fields. It is certain that after the war

the need for officials skilled in economic matters will be no less than it is now; and the problem is to devise more permanent ways of filling the gap. Many Civil Servants acquire from their administrative contacts wide knowledge of the economic and social questions with which they have to deal. But none is directly trained or experienced in these special skills. A short time ago, the Home Secretary stated the need for an Economic Civil Service, for men with competence in the theory and practice of business life to meet the representatives of industry, trade and finance on equal terms. The nucleus of such a body already exists in the temporary Civil Servants who have been brought in to give economic and business weight to the wartime Civil Service. It is essential that the ambit of peacetime recruitment should be extended to include men of these qualifications, that it should be possible to bring in, at the appropriate stage and at the appropriate salary, men from the professional and business world outside.

The root of the trouble is that the Civil Service has become too rigid in its conditions of recruitment, promotion and pay. The area of choice for almost all key positions in this country, in politics, in administration and in business itself, is too restricted. The nation tends to be inadequately represented in Parliament and in the men who make up its Government for precisely the same reasons as it is inadequately served in the Civil Service. What is needed more than anything else is much greater equality of opportunity and experience, and a much greater freedom of movement, in the careers of talented men. The problem of the Civil Service is, at bottom, a problem of the peculiar traditional democracy that this country has evolved. It is first of all a problem of education and a problem of politics. Only in detail, and by reflection, is it a problem of administration. The Civil Service is probably as good as it can be in present social, political and educational conditions. Nevertheless, its improvement is imperative if democracy in the British style is to meet and beat the boasted efficiency of autocratic systems. The only means of achieving this is to staff the departments at every point from the widest possible field of training and experience; and to place at their head politicians of ability and character. The first charge upon Parliament—and the parties—is to produce such men. Government by Order will continue and spread after the war. There will be more work for Civil Servants, and correspondingly more responsibility for Ministers and Members of Parliament. The task is to enlist the best citizens, to both Westminster and Whitehall, and by the best organisation of their procedure, methods of work and joint endeavours to give the people the best service.

Canadian Aid

THE royal assent was last week signified to the Canadian Mutual Aid Act. As is proper with financial arrangements in wartime, the chief effects of the Act will be technical; it will not affect the underlying reality, which is to be found in the ever-growing stream of men, munitions and materials leaving the ports of Canada for the battlefields. But the new Act nevertheless provides the opportunity for a summary review of the history of Canadian aid. The enormous quantities in which the economic activities of the United States are measured have served somewhat to obscure the achievements of its neighbour, and in Great Britain, the chief beneficiary, there is to this day an inadequate appreciation of the efforts that have been made. It is to the credit of the Canadian Government and people that they have never trumpeted their virtues. The greater is the obligation to acknowledge what they have done.

Canadian aid began with the declaration of war in September, 1939, and has continued on an increasing scale ever since. The financial counterpart to this aid has had three phases, and is now to have a fourth. In the first phase, from the end of August, 1939, to March 31,

1941, the United Kingdom made an effort to pay for its requirements—not, indeed, wholly out of its current earnings of Canadian dollars, but by re-sale of its holdings of Canadian debt. In this period, British needs of Canadian dollars, over and above those earned by exports, were \$795 million, of which \$337 million was met by the sale of British assets (mainly Dominion securities), \$250 million by the sale of gold, and \$208 million by payment in sterling in London.

The second phase covers the financial year 1941-42. The growing scale of the war and the keener realisation of the extent to which victory depended upon the outpourings of the North American arsenal led to increased Canadian deliveries, and consequently to increased British requirements of dollars. In spite of increased repatriation of Canadian securities, the Canadian balances in London were raised to \$700 million. The first phase had been one in which almost three-quarters of the British requirements of dollars were met by the handing over of gold and securities. The second phase was one in which the formalities of payment were still being performed, but by far the larger part of this payment consisted merely of sterling credits in London.

To continue the financing of mutual assistance by the piling up of bank balances was satisfactory neither to the debtor nor to the creditor. Moreover, the institution of the Lend-Lease system in the United States in March, 1941, made it undesirable to retain even the formal appearance of "war debts." With the beginning of the financial year on April 1, 1942, the position was regularised, marking the third phase. The accumulated Canadian balance in London of \$700 million was converted into an interest-free loan, and to meet British requirements in the new financial year, 1942-43, a free gift of \$1,000 million to the British Exchequer was made.

Once again, however, the physical scale of Canadian assistance outran the financial provision for it. Mr Ilsley, the Canadian Minister of Finance, told the story of 1942-43 in a recent speech in the House of Commons. The total British requirements of Canadian dollars in the year amounted to \$1,890 million, of which imports from the sterling area and other current earnings produced \$740 million, leaving a deficiency of \$1,150 million. The gift, large though it was, thus fell short of the requirement. Moreover, the Mutual Aid Act has not become law until nearly the end of May, so that there have been continuing requirements for some seven weeks after the end of the financial year for which no provision has been made. This gap has been closed in two ways: first, by the sale to Canada of certain British balances in the United States (another indication that these balances are now more comfortable than they were); and secondly by the sale for \$200 million of certain British interests in Canadian war plants.

The fourth phase now beginning approximates the Canadian system to the American Lend-Lease and British Reciprocal Aid provisions. Henceforward, war materials will be provided by the Canadian Government for its Allies without any financial counterpart. (Not all of the supplies that Canada provides will come under the Act, but only the excess that the recipients cannot pay for—this is, of course, substantially similar to the position in the United States.) Goods can be transferred under the Act "on such terms and conditions as the Government may deem appropriate" and a Board has been appointed to be responsible for the administration of the Act. The Budget includes a sum of \$1,000 million for Mutual Aid in the present financial year.

For a variety of reasons this billion dollars of Mutual Aid cannot be directly compared with last year's billion dollars of free gift. For one thing, nearly two months of the financial year have gone. Secondly, the Mutual Aid provisions apply to all the United Nations. Some Canadian supplies will go to Russia, and some to the other Dominions. In this latter case, however, there is an offset. Hitherto, the United Kingdom has assumed the financial responsibility *vis-à-vis* Canada for the whole of the sterling area, and the "British requirements" of Canadian dollars quoted above have been the requirements of the whole sterling area. If deliveries to the other Dominions are now to come out of the \$1,000 million, that leaves less for the United Kingdom, but the UK's needs are correspondingly reduced. Thirdly, Canada has, from April 1st, assumed financial responsibility for the full cost of RCAF squadrons in the United Kingdom and certain ancillary units serving outside Canada. This will relieve the British Government's sterling expenditure, and will put it in possession of an additional amount of Canadian dollars, estimated by Mr Ilsley as \$341 million. Fourthly, the Canadian Government is taking over at cost price all remaining British equity interests in munition factories in Canada. Since the total assistance to be provided under the three heads of Mutual Aid, RCAF and this last item was put by Sir Kingsley Wood on Tuesday at "over \$1,800 million," the purchase price for these British interests must be at least \$460 million. The figure to compare with previous years—for example, with the \$1,150 million of 1942-43—is the proportion of this \$1,800 million that will go to sterling area countries. No figures are available to serve as the basis of an estimate

of what that proportion might be, but it is almost certainly very large. The total of Canadian assistance to the sterling area in the two years 1942-43 and 1943-44 will probably be about \$3,000 million.

These are gigantic figures in their own right. Compared with Canada's resources they are still more impressive. Three methods of comparison suggest themselves for converting financial figures into a measure of real effort. The first is with the Canadian national income, which is no longer estimated, but cannot be much greater this year than \$8,000 million. If so, Canada is proposing to hand over to other countries this year goods to the value of more than one-fifth of her national income.

The second comparison is with the United Kingdom. By a fortunate chance, there is an easy rule of thumb for converting Canadian financial figures into their British equivalents, by simply changing the dollar sign into a pound sign, since the ratio of population between the two countries is almost exactly the same as the rate of exchange between their currencies. A figure of \$1,800 million for Canada implies a burden equivalent to what £1,800 millions would be to the United Kingdom. The total estimated Vote-of-Credit expenditure in the current year in this country is £4,900 million. If something like two-fifths of the total war expenditure of the British Government were for goods and services to be handed over to other countries, that would convey an approximate measure of what Canada is proposing to do. It is probable that the total British burden—at home and abroad—is still larger than the Canadian. Indeed, this is almost certainly so, for Mr Ilsley has defined the impact on the civilian population as no more than "some moderate decline from the peak of wartime consumption, and some increase in the inconveniences of shopping and travelling." But what may be called the war-effort-for-export is much larger in Canada than in Great Britain.

Lastly, there is the comparison with the United States. The ratio of population is 13 to 1, and the rate of exchange between the two dollars is 10 to 11. This means that \$118 US represents a burden to the larger country equivalent to that of \$10 Canadian to the smaller. The Canadian figure of \$1,800 million would, therefore, be the equivalent of about \$21,240 millions in the United States. The actual American expenditure on Lend-Lease in its first two years was \$9,632 million, though the rate is, of course, rising.

It is right that due honour should be paid to the realities of steel and muscle behind these monetary figures. If Canada is prevented by the smallness of her population from taking rank with the Great Powers, she has in the last three years made a place for herself in a category all her own. Relative to her resources, her effort is second to none. In absolute terms, the distance that separates Canada from the Great Powers is less than that between her own achievements and that of any other of the smaller United Nations.

THE NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

Occasional Papers, No. 3

STANDARDS OF LOCAL EXPENDITURE

By J. R. Hicks and U. K. Hicks

This is an examination and comparison of the Expenditure of Rates by County Boroughs. The conclusions arrived at naturally point to reforms and certain reforms are suggested in the last section. 4s. 6d. net

Economic and Social Studies, No. 3

TRADE REGULATIONS & COMMERCIAL POLICY OF THE UNITED KINGDOM

By the Research Staff of the National Institute

A detailed picture of the development of British commercial Policy, and particularly of protectionism in all its forms, up to the end of 1938. 15s. net

Cambridge University Press

Women Engineers

THE dilution of labour in Britain has reached a fairly advanced stage and has, on the whole, proceeded smoothly, with the co-operation of employers and trade unions. No information is available about the proportion of women to men engaged in the whole of war industry, but in aircraft production women constitute about 40 per cent of the total labour force, in Royal Ordnance Factories (including shell-filling) over 60 per cent, and in the industries covered by the Iron and Steel Control roughly 17½ per cent. At this stage of the war, little can be expected in the way of fresh intake of labour, either male or female, and the really pressing task of the moment is to improve the productivity of the existing labour force and so to enable the further release of men for the fighting forces.

The conference of women shop stewards of the Amalgamated Engineering Union last week was important, not only from the point of view of trade unionism—the union which had hitherto resisted the admission of women has recruited 64,000 in less than five months—but in pointing the way to achieving this objective. The proposals put forward by the 26 delegates were eminently practical and indicate some of the measures that need to be taken if the fullest mobilisation and most efficient utilisation of woman-power are to be secured.

The first of these lies in the improvement of health and welfare arrangements in the factories. Both Mr. Bevin and Sir Stafford Cripps attach great importance to personnel management, but it is clear from the descriptions given by some of the delegates that provision at many factories for even elementary cloakroom and washing facilities is still inadequate and that far more attention should be paid to welfare. More nurseries, time off for shopping, better canteens, improved transport and billeting arrangements: demands for these have frequently been made, but their importance in reducing labour wastage and voluntary absenteeism, especially among married women, cannot be too strongly emphasised. Involuntary absenteeism can best be diminished by extending health provision within the factories, increasing the number of works doctors and nurses, setting up joint works health committees, and above all by avoiding excessive hours of labour. It is becoming almost a truism that excessive hours defeat their own purpose; evidence was given at the conference of girls suffering from strain and fatigue after a long day's work, without enough rest pauses, on welding and heavy jobs. The wisdom of the resolution calling for a maximum of 54 hours a week for women and young persons—exceptions to be restricted to short periods and arranged in consultation with the unions—will not be disputed.

As important as welfare and hours, but, perhaps, more controversial, is the question of women's wages. (The present position is dealt with in more detail on p. 699.) The union is claiming a minimum wage rate for adult women in engineering not less than that of the adult male labourer and asking for the negotiation of wage rates for semi-skilled grades equally applicable to men and women. The existing disparity between men's and women's wages in engineering is not only anomalous; it is impeding production. The stories of munition girls bringing home fantastic sums each week are clearly exaggerated, and in fact women, employed on what is unquestionably semi-skilled work, are often paid far less than they could command if they were men. The "rate for the job" has been widely accepted in principle. In engineering, an agreement reached between the Employers' Federation and the AEU in May, 1940, provides that where a woman is doing a man's job, "without supervision or assistance," she shall receive the man's rate after 32 weeks. But, in practice, relatively few women seem to have qualified for the full rate and widespread evasion of the relaxation agreement was alleged at the women's conference. One difficulty is the definition of "supervision" (a delegate said that it was enough for the

foreman to walk about and occasionally say "Hullo"); and another is the determination of the rate for processes which have been newly introduced and for jobs which have been broken up into component parts.

It is difficult to distinguish exactly what parts are played in this wages issue by mere prejudice or tradition and by more genuine factors. The only reason for denying a woman the same wage as a man is if insistence on equality would lead to a preference for men, all prejudice apart. That there are such cases, even in the peculiar conditions of wartime, is, perhaps, shown by the slow progress being made in the "up-grading" of women—though even there sheer conservatism also exercises its influence. The capacity of women, given suitable training, to do men's jobs, except the very heaviest, has been abundantly proven since the war, but not enough attention has been paid to up-grading or training, either by employers or unions, as the AEU's third production enquiry showed. The 26 Government Training Centres and the Technical Colleges provide a sound initial training, but the bulk of training has to be given in the factories. In March, 1942, the Select Committee on National Expenditure found reluctance on the part of many firms to provide training facilities for men or women, and there is no evidence of any spectacular improvement since that date. Some firms, it is true, have excellent schemes, already in existence before the war. Thus, at one aircraft factory, where systematic training is given, many women have now replaced men as skilled operators and machine-setters. At a Royal Ordnance gun factory, there is an excellent training school, where entrants learn the rudiments of factory procedure and discipline, safety, and simple machine operating. A firm manufacturing aircraft accessories is experimenting with a synchophone (a gramophone plus pictorial diagrams) which illustrates in a vivid way not only the types of machines, but the relation to the war effort of jobs which may seem trivial and dull. Such schemes are excellent and firms which operate them should be encouraged to train for others.

There is some difference of opinion about Government Training Centres. Their trainees become machine-minded and acclimatised before they enter industry proper; on the other hand they may not be trained along the lines most suitable for the employers, many of whom prefer to train their own labour. But this disadvantage is reduced where arrangements are made for special or "biased" training to fit particular employers' requirements. Training "on the job" has undeniable advantages, but it is too often haphazard and unsystematic; instruction and promotion depend largely on the interest shown by the individual foreman or chargehand and there is need for training of instructors, as well as operatives. The ideal is probably a combination of pre-training in a centre or in the factory's own training school, and training "on the job," with adequate opportunities for promotion and "refresher" courses. One of the functions of the Labour Supply Inspectors of the Ministry of Labour is to encourage employers to train the maximum possible number of women and to see that women's skill is properly utilised, but in practice there are too few of them and they have no direct powers of compulsion.

Training is the key to the increase of productivity, and it is clear that many employers still have to be convinced that training is an economic proposition. The trouble is, perhaps, that some of them are thinking along pre-war, or rather post-war, lines, when large numbers of men will be returning to industry and many women will leave. But, as the AEU women emphasised, their purpose in demanding higher wages, the "rate for the job" and better working conditions is to preserve the standards of the union's male members. Their determination that women should never be used as "cheap labour" will be supported by all who believe in elementary economic justice.

NOTES OF THE WEEK

A British Food Plan

So far as can be judged from the available reports, the plan presented to the International Food Conference at Hot Springs by the British delegation is on the right lines. It at least lays emphasis on the need for expansion rather than restriction of supplies of food in a world that is still hungry. The plan envisages two transitional periods—the first when the dominant problem will be the relief of hunger and the chief need the provision of energy foods; the second when there will be enough food to satisfy hunger but not enough to assure a balanced diet. The proposals envisage international co-operation to "encourage the maximum production of commodities most needed and to secure equitable distribution of commodities in short supply." This is said to require "an international production programme and machinery for the co-ordinated purchase, allocation and transport of such commodities." Subsidies in aid of consumption are praised; quotas on production or exports (but not on imports) are denounced. It is also suggested that in order to create orderly marketing conditions at prices that shall be stable and fair to both parties, there shall be "an internationally held balancing, or buffer, stock which could be increased when production for the time being outruns consumption and would demand to be drawn upon when it falls short." This set of proposals, which appears to be very much in line with the principles suggested in an article in *The Economist* of May 8th, has had a very favourable reception in the American press. This, of course, is all to the good; but a little caution is perhaps to be recommended. Generalities about the need for improving nutrition and expanding supplies are common form; the preamble to the Draft Wheat Convention of last year had these fine phrases aplenty, though the practical effect of the ensuing provisions would be almost the exact contrary. "Prices that are fair to both parties" may be a verbal smokescreen, or a device for dodging the issue. Pools to hold stocks off the market "when production for the time being outruns consumption" are familiar, but it is difficult to remember an example, since the days of Joseph, when a pool has been allowed to sell its stocks or when the producers have been willing to admit that supply fell short of consumption. The ultimate test is quite simple: is there to be any restriction of production and supply? It would be as well to wait and see whether the British detailed proposals meet this test, and, if they do, what the reaction of other delegations will be. The latest news is of an agreement to create a continuing commission to discharge duties which are only vaguely defined. There is, however, a welcome verbal insistence on expansion.

The Pensions Debate

The unofficial Labour amendment to the second reading of the Pensions and Determination of Needs Bill was defeated by 232 votes to 61. On the last occasion when pensions were debated—July 29, 1942—the Opposition vote was almost the same, 63; it was then the biggest recorded against Mr. Churchill's Government, but the debates on the Catering Bill and the Beveridge Report have put mere sixties in the shade. Nevertheless, the Opposition is significant. As Mr. Shinwell said in last week's debate:—

If there is one subject upon which members on this side and elsewhere feel with the most passionate intensity the implications of the situation, it is the plight of the old age pensioners.

And since in the course of the next twenty years they will number, on present trends, over eight million—one in six of the population—this "passionate intensity" is likely to gather strength as the years go on. Actually, the Labour opposition to the new Bill was somewhat divided. The mover and seconder of the amendment were in favour of an increase in the basic rate; Mr. Shinwell himself advocated instead an increase in the scale of supplementary pensions. There is certainly a strong case for increasing the basic rate, which has been 10s. a week for non-contributory pensions since 1920 and for contributory pensions since 1926, by at least the extent of the wartime increase in the official

cost of living index. Every other form of social service payment—whether contributory or not—has been increased since 1939, and there seems no equitable reason why pensions alone should remain constant. This, it is true, would only improve the position of pensioners who do not apply for supplementary pensions, and many of these are not in need as they have other means or are in work. Those receiving supplementary pensions, which are based on need and therefore bear some relation to the cost of living, would presumably have their supplementaries docked by the same amount as the rise in the basic rate. But to increase supplementary pensions alone, which was done last July, would not help those widows who, in spite of the new Bill, will still be ineligible for them or people who refrain from applying for them because of the barrier of the needs test. Up to the end of last year, the Government refused to face the pensions problem squarely because it was "waiting for the Beveridge Report." Since it has rejected the pensions part of the Beveridge plan, it has now no option but to produce a comprehensive one of its own.

Price Stabilisation

During the debate on the Supplementary Vote of Credit in the House of Commons on Tuesday, Mr. Barnes (Labour Member for East Ham) congratulated the Chancellor of the Exchequer on the success of his policy of stabilising food prices by subsidy, but pointed out that price control had been less successful in goods other than food, and that the "utility" principle should be extended. Sir Kingsley Wood, in reply, stated that the Government's stabilisation policy had been largely concentrated on the most essential goods, that is, those entering into the calcula-

CIVILIAN WAR RISKS

are normally covered
**WITHOUT
EXTRA
CHARGE**

under new
**WITH-PROFIT
POLICIES**

effected with the

**SCOTTISH WIDOWS'
FUND**



Head Office:
9 ST. ANDREW SQUARE
EDINBURGH, 2

tion of the cost of living index. When the experiment of stabilisation was begun, the Government concentrated on food. Since then the policy has been extended to many other essential goods, and clothing prices have actually been lowered by the introduction of the utility scheme. The cost of living index rose by only 28 per cent between 1938 and 1941, and has remained almost unchanged since then. True, the market prices of all goods and services purchased by the public advanced by 45 per cent between 1938 and 1942. The fact is that, quite rightly, the Government has refrained from stabilising all prices. A distinction must be drawn between essentials and luxuries, including "conventional necessities," such as entertainment, beer, spirits and tobacco. So far as the first category of goods and services is concerned, the Government has undoubtedly been successful in preventing a major rise in prices; there are, of course, exceptions, such as certain household goods and rents not covered by the Rent Restriction Act. To stabilise the prices of luxuries and "conventional necessities" would have been not merely unnecessary, but quite unjustifiable. Indeed, part of the rise in their prices is due to deliberate policy. The Government's policy of increasing the taxes on luxuries is the counterpart of its decision to hold down the prices of essentials.

Air Transport

The announcement that a chairman and two new members have been appointed to the British Overseas Airways Corporation may go some way to satisfy the impatience of the critics of the Government's air transport policy—or rather lack of policy. Viscount Knollys, Governor of Bermuda, has considerable administrative and business experience; Miss Pauline Gower is Commandant of the women in Air Transport Auxiliary, and Air-Commodore Critchley has a reputation for "toughness," business capacity, and energy. The need for strengthening the Board has frequently been expressed and the public will wish the new team well. But there are a number of major issues which the new appointments will not help to settle. In the first place, the demand for the removal of control over civil aviation from the Air Ministry has been growing and, though the present moment may not be opportune for a change, such a transfer of authority must sooner or later take place. Secondly, as revealed by the recent White Paper, the late chairman and his fellow-directors resigned because they felt that the Corporation was in an anomalous position vis-à-vis the Air Ministry, and Mr Clive Pearson asked for an elucidation of the Ministry's intentions. Was the Corporation to remain the sole British instrument for overseas air transport, and was it to regard itself as a branch of the Air Ministry, or as an independent policy-forming body under the Act? This question was repeated by Lord Rothermere and other peers in the recent Lords' Debate, but no answer was given. Lord Sherwood had "nothing to add." The American solution, where wartime aviation is controlled by the Transport Command, works well—but possibly only because, in fact, the Command is dominated by the civil aviation agencies. Transcending the issue of national control is the international question. Vague assurances have been given that the Government is alive to the importance of civil aviation, but there are still no signs of a decision. The ideal solution would be the complete internationalisation of air transport services. This may well be Utopian. Probably some form of the solution by which national routes are reserved for national airlines, while international routes are free on equal terms to the aircraft of all nations, is most likely to be accepted by the nations most concerned. At any rate, it is essential that some measure of international understanding should be reached at an early date on such matters as standards, safety and the "freedom of the skies."

Most fires are caused by
CAREFUL PEOPLE

DON'T JUST BE CAREFUL—
TAKE EXTRA CARE

Fears and Hopes

Outside Parliament, where in questions and debate, Members of both Houses have been assiduously and persistently prodding the Government, the demand for a declaration of aviation policy is growing. But a strong current of defeatism runs through all the statements and memoranda which have recently been issued. Mr Wakefield at the Conservative Conference said that Britain was at least five years behind the United States; Captain Lamplugh's independent committee believes that British air lines will be compelled to use American machines for some time after the war; and the Joint Air Transport Committee of the British and London Chambers of Commerce and the Federation of British Industries thinks that the present disparity between British and American production may lead to a "calamitous situation." In so far as this pressure succeeds in galvanising the Government into activity, it is to be welcomed. It is true that, primarily for reasons of military strategy, America—which has, in any case, the considerable prior advantage of a continental "home market"—to employ its aircraft factories and to train its personnel—has concentrated on the production of transport planes, and has acquired operational experience and control of routes which may ensure its supremacy in the immediate post-war years. But there is no reason to be unduly pessimistic; given good will and international understanding and by the adoption of vigorous measures nationally—including, if necessary, subsidies during the initial period—British production capacity and operational skill, and the possession of imperial bases, may well largely restore the balance. Certainly, there is no justification for delay and neglect, and nothing should be allowed to impede the fullest development of air transport both as a weapon of war and a future instrument of peace.

Freedom to Migrate

In the House of Lords on Tuesday, Lord Barnby pleaded for the removal of obstacles to the migration of persons from this country to the Dominions. In particular, he suggested that, unless special provision is made, the existence of a comprehensive scheme of social security will act as a deterrent to migration, because individuals will not willingly forgo the benefits they will be entitled to here. Lord Barnby's concern is probably needless. There is a strong case, on both political and economic grounds, for the utmost freedom of movement between all countries. There is no good reason for stops to either emigration or immigration. The racial, political and other discriminations which at present impede movement should have no place in a free world. Economically, they have no justification, on the broadest view of national and international welfare; and it is certain that, if restrictions on migration are maintained and extended after the war, a potent cause of the next world conflict will be preserved. Nevertheless, the old idea that the solution of the social and economic problems of this country is for its citizens to go abroad is now outdated. Britain is threatened in the measurable future, not with over-population, but with a shortage of numbers, youth and strength. It would be an ill-conceived palliative for emigration to be encouraged after the war to solve problems of poverty and unemployment, which have rather to be solved by a conscious programme to make the fullest and most productive use of all the nation's resources. Indeed, the world formula should be full employment in each country with free migration. Britain's task is to provide full employment; and Lord Barnby's plea for the lifting of bans on migration should be addressed abroad, to the Dominions themselves and the United States.

Polish-Czech Difficulties

It has been known for some time past that the negotiations between the Czechs and the Poles for a future federation had come to a standstill. At first, no official reasons for the deadlock were published and it is unfortunate that the Czech Foreign Minister, Dr Ripka, should have felt called upon to give a somewhat tendentious account of the breakdown at the precise moment when the Polish Government is already involved in misunderstandings with the Russians. The chief aim of both the Czechs and the Poles, as constituent parts of the United Nations, must be to mend the breaches in the fabric of the alliance and, in Count Raczynski's words, to avoid "polemics when both countries are in need of constructive views for

the future." The reason given by Dr Ripka for the breakdown were, briefly, that a friendly understanding with Russia was the precondition of agreement; that Poland's attitude towards Hungary was equivocal; and that the Poles maintained their right to retain Teschen which had been so disreputably filched from Czechoslovakia in 1938. Count Raczynski has taken up these points. When the negotiations began in November, 1940, Poland was at war with Russia; and Count Raczynski claims that a "gentleman's agreement" covered the question of relations with Russia, as well as the similar problem of Hungary and Czechoslovakia's other Central European neighbours. The Poles were not to be drawn into a conflict over Central Europe and the Czechs were not to be drawn in over Russia. This "gentleman's agreement," Count Raczynski states, also covered the problem of Teschen, which apparently simply means that it was agreed to consider this point last. Here it must be said, emphatically, that it would undoubtedly have been wiser, more just and more generous of the Poles to renounce outright territory gained so discredibly. But the real problem goes deeper; it is the question of federations in Europe, particularly in Eastern Europe. The Soviet Government dislikes them. Russian memories of the *cordon sanitaire* are too strong. The Czechs, determined to maintain the closest relations with Russia, have, therefore, dropped the negotiations for federation with the Poles. On the other hand, Mr Churchill has spoken of the need for federations and the Poles, declaring that a Polish-Czech federation "never could, and never in future will, have an anti-Soviet bias," are anxious to continue the negotiations. There is thus a difference of approach between the Great Powers mirrored in differences and friction between the smaller states. The whole question of European federations should plainly be frankly discussed between London, Washington and Moscow.

Paying for Illness

The announcement of the formation by the Nuffield Trustees of the Central Provident Association, to help individuals and families to meet certain medical costs, raises important questions of principle. In theory, the scheme is admirable; it enables the members of the association to spread the cost of illness involving hospital, specialist or consultant treatment instead of having to pay it all at the time of the illness. But there are also very grave dangers, which are not so apparent as the advantages and therefore may be overlooked. Assumption B of the Beveridge Plan was the establishment of a comprehensive health and rehabilitation service for all members of the community, and the Government has accepted it. This means that irrespective of their means

every man, woman and child who wants it can obtain, easily and readily, the whole range of medical advice and attention, through the general practitioner, the consultant, the hospital and every related branch of professional up-to-date methods—the words are Sir John Anderson's. The aim is unexceptionable. The difficulty is that, quite apart from the problem of securing agreement between the medical profession, the Government and the public and among the different members of the profession, there is likely to be a real shortage of certain services, particularly the specialist services and hospital accommodation. Any scheme, therefore, which allows superior purchasing power—whether spread over a period of years or not—to pre-empt the resources of the health services has this great drawback that it may obstruct the provision of a comprehensive service to those with equal or greater needs but no means. It is obvious, for instance, that a large part of the nursing and domestic staff employed in expensive nursing homes to look after wealthy hypochondriacs would be doing a far greater service to the community in the wards of hospitals, which again and again have to refuse cases of real need because of the shortage of staff. It is true that members of the new Provident Association are only likely to use the resources of specialists and hospitals when they really need them, but the fact that they are paying patients should not be allowed to give them priority. Nor, too, should paying patients, even after a comprehensive health service for all has been set up, be allowed extra privileges at the expense of that service. In recent years, the existence of pay beds in hospitals, which carry such privileges with them, has tended to obstruct much needed reforms in the way of privacy and visitors for the general wards. That persons should not have the new health services forced on them is sensible—and declared Government policy—but it is essential that all those concerned in run-

ning the services should not have a vested interest in keeping them at a minimum standard.

First Discussions

The best way of ensuring that priorities in the treatment of illness are not determined by superior purchasing power is, of course, to establish a fully comprehensive health service, available to all irrespective of their means, as quickly as possible—to make, that is, the national service so attractive and adequate that private arrangements will wither away. Since, however, this can only be achieved over a period of years, the best way of laying the foundations would probably be through improving national health insurance. If the panel system were extended to the dependants of the insured, it would mean that some 90 per cent of the population would have the right to a free general practitioner service. But the insured and their families should have the right to a free hospital and specialist and consultant service as well, and this right should be laid down in the national health insurance legislation. Generally speaking, a doctor treats a sick panel patient as carefully as he treats a sick paying patient—it is in the attention he gives to chronics and hypochondriacs that a distinction between the two classes may appear—and there is no reason why the same should not be true of the hospital and specialist service under new NHI legislation. Unfortunately, the Ministry of Health, in its feelers for a comprehensive health service, seems to be starting at the wrong end of the stick. Instead of meeting these obvious deficiencies in NHI, which are recognised by all members of the medical profession, it began its discussions with the representative committee of doctors by laying down proposals for the employment of doctors as mainly whole-time salaried officers by a local authority—a new type of local authority, it is true, but the complete veil on the Government's views for the reform of local government is not calculated to persuade doctors that the new type will be any better than the old. The Ministry also proposed that general practice should be based on health centres. The idea of health centres has indeed attracted the public, and it is probably sound—the British Medical Association itself has reported in favour of them. But, as the representative committee pointed out, to recast the whole of general practice on the basis of a local authority health centre, before one has been built or tried out, is surely premature. Final judgment on the Ministry's proposal must await the publication of the promised White Paper. It is reassuring to know that it is thinking progressively, and the representative committee turned the proposal down a bit too flatly. But it would be wiser, when the discussions are resumed, to start on a more realistic basis.

Ration Books

The chief complaint against the method adopted for the issue of the new ration book and the new identity card is the distance many people have to travel to collect them. Even in London boroughs there are such complaints, but the plight of the rural dweller is worse. It is not uncommon for a journey of more than ten miles to be necessary, often with a poor transport service, and frequently to a place not usually visited. For security reasons, only larger food offices are being used. Great inconvenience, loss of time, expense (often a heavy burden), and pressure on transport are involved in the method adopted. The Ministry of Food has admitted that the system was perforce the result of a choice between evils. Steps will have to be taken, and have been promised, to get the new ration books to people who

THE BRITISH LINEN BANK

Incorporated by Royal Charter, 1746

Head Office: 38 St. Andrew Square, Edinburgh

200 BRANCHES IN SCOTLAND

LONDON OFFICES:

City Office: 38, Threadneedle Street, E.C.2.

West End Branch: 198, Piccadilly, W.1.

AMERICAN SURVEY

Negroes in War Work

(From a Correspondent in Chicago)

April 26, 1943.

WHEN Chicago and the Middle West began to gear themselves as part of the "arsenal of democracy" negro workers were seeking jobs in vain. The progress made since then in utilising skilled negroes has meant a revolution in the policies of many important industrial firms. The number of commercial and industrial firms in Chicago that employ skilled and semi-skilled negroes has increased within the last two years by 400 per cent. Hardly a day goes by that an additional firm does not employ negroes for the first time. The significance of this trend, in terms of war manpower, is evident from the fact that Chicago has the second largest urban negro population in the United States (277,731). In other words, Chicago contains more negroes than are found in the former slave state of Kentucky.

Yet only 10 per cent of the firms that received defence contracts in this metropolitan area in 1940 had been employing negroes on the production line. In 1941, a broad sampling of industrial and commercial firms made by the Chicago Urban League (an organisation for inter-racial co-operation) indicated that 15 per cent employed negroes in skilled or semi-skilled capacities; now the percentage is 64.

To achieve this progress has required a process of education; and the brunt of this process falls officially on the War Manpower Commission. Though Chicago at this writing is classed as an area in danger of critical manpower deficiency, reluctance to employ qualified negroes is no longer expected to play a major part in that problem. To be sure, the Illinois Board of Unemployment Compensation reports that about 6 per cent of men claimants, and about 16 per cent of women claimants are negroes, whereas negroes form 8.2 per cent of the population, irrespective of age. (A figure of 6,027 negroes among 10,121 indigent persons receiving outright relief, and classed as physically capable of some sort of work was reported by the Chicago Welfare Administration in February, but all these persons are of marginal employability.) The WMC counts on the utilisation of all available negro women and men.

The regional director of the WMC, William H. Spencer, on leave as Dean of the Business School of the University of Chicago, in urging the integration of negroes in industry has a psychological point in his favour. He was born and educated in Alabama, where Jefferson Davis was inaugurated as President of the Confederacy. More than once, when representatives of management or of labour have opposed public emphasis on non-discrimination, he has said: "It is strange that a man from Alabama must plead this cause in the state of Abraham Lincoln."

Past Performance

Several reasons might be given to explain why anyone must do so. Southern observers sometimes say that Northerners' interest in negro rights has been more theoretical than practical; that they fought to end slavery, but have not always been as flexible and intelligent as they might have been when numbers of freed men confronted them in their own communities and labour markets.

One factor, in any case, which retarded the employment of negroes here was local inexperience with negroes as skilled industrial workers. One employer in 1940 spoke for many when he said: "We have never employed negroes; we have just never given the matter any thought." Several large enterprises, on the other hand, reported long experience with negroes and reported them dependable workers, good mechanics; these firms were the exceptions. The South knew somewhat more, naturally, about the negro industrial worker. In Charleston, South Carolina, 1,579 free male negroes were distributed in 1859 among 700 occupations; they included blacksmiths, tailors, millwrights and 122 carpenters. The iron grilles of New Orleans attest negro skill in French colonial times. After the Civil War negroes

were accepted in the South in certain industries. But by far the greater number of American negroes have been employed in agriculture and domestic or personal service. Northern employers, from what they had heard of Southern experience, feared negroes would be irregular in reporting on the job. They also apprehended difficulty in integrating them with white (often foreign-born) personnel under Northern social conditions in the absence of segregated facilities.

The first large influx of negro workers to Chicago came during the first World War. Most of them were unskilled. Some later improved their proficiency and status, but hosts of them were displaced in the depression. When the necessity arose for meeting the needs of war, many employers doubted if there were negroes with the requisite skills. It surprised employers to learn, for example, that of 52 moulders in a single classification (squeeze machine), registered with the State Employment Service, 18 were negroes. Registrations for many other positions showed a similar ratio. There were instances, in the early stage of production for the war effort, of negroes who completed training courses at the head of their class, yet were passed over by employment managers while their white fellow-trainees were accepted in industry.

Adjustment in Industry

Though for reasons of present policy the FEPC (now part of the WMC) has held no public hearings for some months, the work of education in employment practices goes on in other forms. For example, one of the first official acts of the regional director of WMC was to select one of his former students of business administration, Mr Austin Scott, as negro representative in the minorities division of the regional staff. Mr Scott is tactfully seeking to promote both the utilisation of negroes and their harmonious integration in working personnel. The WMC regional office seeks to impress on other governmental agencies that they must lead the way. A Federal agency transferred here from Washington, bringing Southern personnel, was induced to abandon its segregation of white and negro employees, since "there is no need of perpetuating in the new environment the patterns of another region." The WMC regional office itself has found an effective harmonising agent in a good old English custom; the girls of the clerical staff serve tea each afternoon, and white and negro workers partake together.

But the adjustment in industry hasn't been all tea and crumpets. Italian-born members of a local union of the United Auto Workers, CIO, began to picket their own plant, where skilled negro workers were being introduced. They ignored a telegram from the head office of the union. On an appeal from the WMC, Paul Russo, district representative of the UAW, went to the picket lines in person and pointed out to them in racy Italian that discrimination is a bad precedent, especially when set by a group that might easily fall victim to the same practice. He got them off that picket line in a hurry. From many other plants, supervisory officials, who anticipated squalls, report instead smooth sailing. Moreover, from Illinois, Indiana and Wisconsin, reports to the regional WMC office indicate no greater occurrence of absenteeism among negro workers than among others—and that the record of workers in this area is generally good.

Almost daily an additional employer hires negroes for the first time. The Chicago Urban League has a list of some 300 that have changed their policy in this way. The League also has, or rather had, a long list of qualified negro workers. Virtually all of these have been hired. And the League's industrial secretary, Mr H. D. Gould, commenting on the changed attitude of both employers and labour unions, observes: "Two years ago their minds were closed—now they are open."

American Notes

Fourth Term Talk Line-up

It is mildly astonishing to find the United States, which a few years ago seemed so indissolubly wedded to the two-term tradition, already hotly discussing the pros and cons of a fourth term for President Roosevelt. On the one hand are such people as Senators Neely and Mead and Congressman Sabath, who are openly stating that a fourth term for the President is essential and inevitable. On the other is the Republicans' "anti-fourth term drive." For the Administration, hints of a fourth-term candidacy serve to strengthen the President's hand, as an outgoing President inevitably loses much of his control over Congress, which knows that he is not much longer to be reckoned with in terms of patronage and prestige. Already defections of the Southern Democrats have been scotched by the suggestions of his supporters that President Roosevelt is not out of the running. Indeed, a recent Gallup poll showed an overwhelming majority of Democratic voters for President Roosevelt—79 per cent against 8 per cent for Mr Wallace, the nearest contender. It is, in fact, difficult to think of any candidate but Mr Roosevelt who could bind together the conservative South, and enough of the labour and farmer vote to secure another Democratic victory. It is possible that even Mr Roosevelt will not be able to repeat this achievement a fourth time. The present array of candidates on the Republican side, however, with the exception of Mr Willkie, do not suggest that a Republican victory would be due to the stature of its leader. A recent Gallup poll shows Governor Dewey well ahead in the estimation of Republican voters, with 38 per cent of the poll; Mr Willkie next with 28 per cent; General MacArthur with 17 per cent; and Governor Bricker and Stassen trailing far behind. Of the lot, Mr Willkie constitutes the biggest threat to the President, but whether the Republican party would swallow its pride and his approximation to the President's foreign policies is still in doubt. The call for a candidate to "save the party from Willkie, the country from Roosevelt, and the world from Wallace," is still unanswered.

Wages and Prices

The War Labour Board's decision in the coal dispute is to refuse the 10 a day increase demanded, but to urge the coalowners to grant practically everything else on the Lewis agenda—portal-to-portal payment, the increased vacation allowance, and other small adjustments. Both sides have been directed to report the results of their negotiations to the Board within 15 days. What is surprising is a report that Mr Lewis is ready to accept the ruling, despite the fact that the labour members of the Board dissented. Meanwhile, his example has not been lost on the other unions. In Akron, nearly 50,000 rubber workers are on strike against the Board's recent wage increase, which they consider inadequate. The Chrysler works were idle last week at a result of an inter-union difference over incentive payments. Behind this labour upheaval lies the steady increase in the cost of living. Miss Perkins, the Secretary of Labour, reported last week that living costs of city workers rose 1.5 per cent in the month ended March 15th. The largest increase was in food prices, which rose 2.8 per cent. The prices of fresh fruit and vegetables increased 13 per cent, under the impact of canned goods rationing. These advances took place before the President's Hold-the-Line order. But although the increase since then has slowed down, it continues. And the Office of Price Administration is running into heavy weather in its attempt to roll back prices. In these circumstances, it is hopeless to expect a cheerful acquiescence in wage stabilisation. The position of the War Labour Board is rapidly becoming impossible.

The Plot Unfolds

Mr John L. Lewis is not, after all, going to establish a rival Federation of Labour. His request last week for readmission to the AFL makes it clear that he now hopes to further his ambitions by capturing one of the established organisations. It is believed that his application will be granted. The return of the Mine Workers would make the AFL considerably larger in numbers than the CIO; and the financial resources of the miners are substantially

greater than those of any other union. The greatest interest attaches, of course, to the bargain to be struck between Mr Lewis and the AFL. It seems plain, however, that he would not have considered re-entry into the Federation he disrupted less than a decade ago without some assurance as to his union's autonomy and his own position in the Federation. The rumour in Washington this week is that he is determined to smash the CIO, and that when the miners go back into the AFL they will take with them a number of the more conservative unions now attached to the CIO, leaving the left-wing out on a lamb. The CIO difficulties at Chrysler are an omen of the struggle to come. Though it could hardly endure, this would be one kind of labour unity—at a disastrous price. It is the same plot that was foiled a little over a year ago. But its chances are better to-day. The failure to arrest the rise in the cost of living aroused dissatisfaction throughout the labour movement with the Green-Murray policy of co-operation with the Administration. Mr Lewis, on the other hand, has demonstrated his ability and determination to force the pace. The anti-labour bent of Congress, and the possibility that the Administration may not be able to restrain it, add to the temptation of rallying behind a strong and unscrupulous leader. The immediate effect on the stabilisation programme of delivering the labour movement over to Mr Lewis would be devastating. The power of the President over the home front would be gravely shaken. Even more perturbing is the implication for 1944 when Mr Lewis may control the votes of a large section of labour.

Lean but Healthy

Last February Mr. Joseph Weiner, Director of Civilian Supply in the WPB, submitted estimates of the goods and services which would constitute a "bedrock" standard of wartime American living. These estimates varied from 71.8 per cent of 1941 consumption for food, 65 per cent for wines and beer and 72.5 per cent for tobacco, to 2.5 per cent for phonographs and radios, and none at all for jewellery, tombstones and passenger cars. The overall figure was about 68 per cent of 1941 standards. The American way of life is probably still comfortably remote from bedrock, but there is some evidence that this is due, not to excesses of present production, but to the existence of stocks of goods. Nearly two-thirds of current production is for war purposes, and severe shortages are beginning to be felt particularly in "hard goods" like hammers, dustbins, and safety pins. Increasing anxiety over the possible effect on civilian morale of a general shortage of civilian goods has led to the proposal, by Senator Maloney, for a Civilian Supply Administration, divorced from the WPB and responsible directly to Mr Byrnes. After testifying against the Bill, Mr Nelson has attempted to counter it by creating a new post in WPB, that of vice-chairman in charge of civilian supply, and appointing to it Mr Arthur Dare Whiteside, of Dun and Bradstreet. Mr Weiner apparently is too greatly identified with a policy of leanness to satisfy the critics. In the early days of the war his office, of which Mr Leon Henderson was then head, was more concerned with lopping off unnecessary fat than with presenting a case for civilian essentials. While there is a strong case for vigilant and energetic supervision of the supply of civilian goods, it is to be hoped that attention will be focussed on reducing unnecessary demands, and, when that has been done to the utmost, on increasing supplies by rationalisation and standardisation of production—of which so far there has been little sign—rather than merely on pressing for the diversion of material and manpower resources from war production.

Shorter Note

The Senate Finance Committee, which is now considering the extension of the Reciprocal Trade Agreements Act, has voted 11 to 10 in favour of an amendment which would give Congress the power to revoke any trade agreement six months after the end of the war. This limitation on his authority has been vigorously opposed by Mr Hull. Two Democrats joined with the Republicans on the Committee and with Senator La Follette, Progressive, in passing the amendment. There are, however, Republicans in the Senate who are expected to oppose the amendment, although they are not represented on the Committee.

THE WORLD OVERSEAS

Overproduction in Canada

(From Our Ottawa Correspondent)

April 11th

THE systematic completion of the inventory stocks of offensive weapons for the Allied armies is producing a series of problems in industrial adjustment which are felt particularly keenly in Canada. The curtailment of lines of war production in which overproduction has been reached, resulting in pockets of unemployment, has caused perplexity and anxiety which, at this stage, is mingled with frustration over the fact that Canadian forces have so far participated only in limited phases of land warfare.

In the long months from June, 1940, until the end of 1941, when war capacity of unprecedented proportions for Canada was being organised, there was no comparable mobilisation of industrial resources in the United States. In the early part of that period, there was no strict comparison between the production objectives of the United Kingdom, which were concerned in large part with the devices of defence, and those of Canada, which were organised from the first for the manufacture of offensive weapons. For a period, which in retrospect now shows clearly to have fallen within 1941, Canada was the leading producer of many types of weapons of offence. That was the period of Canada's gift of \$1,000 million worth of war supplies and services to the United Kingdom.

But now the offensives, for which long preparations have been made, appear near at hand. This fact seems *a priori* evidence that the production required has been fulfilled, and the economic scene presenting itself in Canada at present bears this out. In war production, Canadian industry has been an integral source of British weapons. In the common use of raw material sources and in the development of production processes, it has moved steadily into integration with American war industry. In broad outline, Canada has occupied middle ground. Gradually, through 1942, the broad single purpose of Canadian, British and American war capacity had been fulfilled. United Kingdom industry moved into its peak output of weapons of offence, as Mr. Lyttelton indicated in a recent statement that the output of war stores late in 1942 reached a rate double the average of 1941. United States industry, utilising the experience gained in British, Canadian and other orders, geared up quickly a vast arsenal dedicated overwhelmingly to offensive weapons. In January, Mr. Stettinius reported that the US war industry had outstripped that of every Allied country. Finally, on April 2nd, Mr. Lyttelton said:

The striking forces of the United Nations in 1943 are, under any computation, greatly in excess of our ability to transport them.

This was testimony, not only to the critical nature of the Battle of the Atlantic, but also to the vast productive power that had been mobilised within the English-speaking countries.

In the past six months, Canadian war industry has been operating at what must be considered peak capacity, even though it is still expanding in certain lines. A rough estimate places its proportion to American capacity at 15 per cent. It should have been no surprise that conditions of overproduction would begin to appear, or that they should appear first in the Canadian scene, where the prime task of equipping Canadian forces has been exceeded several times over. But, in Canada, the main line of public thinking about home-front problems has been concentrated for so long upon a seemingly endless vista of expanding production, of conquest of one bottleneck after another, that a sharp psychological adjustment is required now. This need is reflected in current debates in Parliament. Evidence of curtailment of certain lines of war production is becoming abundant. The evidence of a vast backlog of produced weapons and materials is plain.

"We have reached the point," Mr. Howe told Parlia-

ment, "where the requirements for certain types of munitions have been filled." Categories revealed publicly have included 4.5 shells, Valentine tanks and six-pounder guns. Reasons for over-production lie in part in excess capacity and partly in technological factors. The Minister of Labour, Mr. Mitchell, said:

If we cannot produce tanks or if tanks are not needed, then ships and more ships are needed. There is no reason in the world, with the exception, of course, of indifferent planning, why we should not be engaged in producing ships if other work is not available.

A clear distinction is emerging, as far as over-production is concerned, between the production of weapons, which in Canada has been sufficient to date to equip three armies or more of the size of the Canadian Army overseas, and the production of materials, which has supported large sections both of British and American production. In the production of coal, lumber, certain minerals and some other materials, Canadian industry still labours under critical pressure. The same is true of Canadian agriculture in the production of food.

Problems of Planning

These circumstances present the Canadian Government with problems in planning that are just coming into sharp focus. One of the best informed Ottawa correspondents, Mr. Grant Dexter, wrote in the *Winnipeg Free Press* recently:

No one who surveys this country to-day would affirm that we have achieved total war. In the balance between striking power, output of munitions, foodstuffs and essential raw materials our war effort shows a creditable degree of planning and organisation. But in one vital field—manpower—there has been a partial failure.

This analysis led to the discovery that a startling proportion of Canadian manpower was still engaged in non-essential activities.

That point has assumed significance in the face of actual curtailment of weapon production, still confined to a few lines, but likely to grow. It will lead logically, as the public grasps it, to demands for more drastic transfers of manpower to either essential production or to military service. It will accentuate the problem of industrial readjustment being forced by changing demands of war as they are felt in Canada. Capacity to produce weapons must be maintained on a basis capable of being called into immediate functioning, as curtailments are made. Canadian industry is still the second line of British industry, and must remain on an effective shadow basis even though stocks are filled. Remaining critical production must be given prompt priority, and into this category some essential civilian services, such as transportation, now fall. So does ship-building, lumbering and food production. But the prospect exists that Canada will shortly need new war production tasks to which the national will can be orientated.

The Comintern's Record

[BY A CORRESPONDENT]

THE idea of a Third International was first conceived by Lenin in 1915, during his exile in Switzerland. The founder of Bolshevism then believed that the Socialist International would never be able to recover from its collapse in 1914; and the new International was to take its place as the directing centre of the international labour movement. At the preparatory conferences of Left Wing Socialists at Kiel and Zimmerwald in 1916, Lenin and his supporters found themselves in a small minority. Apart from the Bolsheviks, no

European Labour group, not even the most radical Marxists, stood for the creation of a Third International. The idea gained some more ground only as a result of the Russian Revolution. Even then only tiny sects from the European countries attended the first Congress of the Comintern at Moscow in February, 1919. The new body, which aspired to lead the world's working classes to "the last and final battle," was in essence a body of political generals without an army. Its only strength—a very real one—was the moral authority which the successful Russian revolution commanded in Left circles all over the world.

The Lure of Moscow

The position changed during 1919 and 1920. In the atmosphere of economic and political chaos which followed the armistice, a great *bouleversement* took place in many of the European Socialist parties. Moscow became a place of pilgrimage; and in the period between the first and the second Congress of the Comintern, even moderate Socialists like Serrati in Italy, Hilferding in Germany, and many others, were carried away by the "rush to Moscow." They tried to find a common language between European Socialism and the Russian Revolution. But Moscow had its own conceptions of policy tactics and organisation, which it tried to transplant into the European movements. Lenin and Zinoviev drafted the famous "21 points" on which the admission of Socialist parties to the new International was made conditional. The main conditions were the abandonment of parliamentary democracy, the acceptance of the Soviet method of proletarian dictatorship, and the transformation of the Socialist parties into strictly centralised and disciplined Communist parties.

The second Congress of the Comintern coincided with the Red Army's march on Warsaw, in the summer of 1920. The Congress could now claim to direct large sections of European Labour. The fiery speeches of its leaders were animated by the hope that the European revolution was only a matter of months, if not of weeks. The Russian Revolution was considered as a mere prologue to the establishment of a world-wide Soviet Republic. The second Congress worked out a detailed programme for revolutionary movements in colonial countries. Asia and Europe were to unite in one gigantic struggle against Capitalism and Imperialism.

The third Congress of the Comintern took place in 1921, during the ebb of Communism, when the illusion of a world revolution was fading. Now it was Moscow that looked for a *rapprochement* with the other sections of European Labour. The tactics of the "united front"—forerunner of the Popular Front—were devised. But the fundamental split between Communists and Socialists made the "United Front" fruitless; and the fourth Congress of the Comintern in 1922 could only register failure. During all that time, the preponderance of Russian influence in the Comintern very largely conditioned the outlook of its national branches. But, on the other hand, the Comintern was still a reality in Russia itself. Russian policy was still subordinating the national point of view to the concept of an international proletarian revolution.

The fifth Congress of the Comintern in 1924 put an end to this phase. The Congress virtually endorsed the programme of "Socialism in one country" and assigned to the Comintern the modest role of an "auxiliary frontier guard" for Soviet Russia. The peculiar feature of this frontier guard was that its activities were to take place far beyond the Soviet frontiers. The Comintern was no longer a threat to the established order; but it was a by no means negligible nuisance in international politics, and in the internal affairs of many continental countries. In Germany, for instance, the Communists played a disastrous role in facilitating and speeding-up the victory of National Socialism.

The sixth Congress of the Comintern took place in 1928. It proclaimed the struggle against Liberals, Democrats and Socialists as more urgent and important a duty for Communists than the struggle against the rising tide of National Socialism. This policy remained in force from 1928 to 1935, that is, during the critical period of the coming of Hitler to power. It was in those years that the German Communists went hand in hand with the Nazis in their fight against the Weimar Republic. Together they launched the famous *Rote Volksentscheid*, and together they propagated the slogans of "social and national liberation for Germany" claiming the reincorporation into Germany of all those territories which were claimed by the Nazis, too. The Communists were bound to be outpaced in this nationalist race by their Nazi rivals; and this chapter in the history of the Comintern will for ever appear an extraordinary instance

of political blindness and stupidity. The "frontier guard" was guarding Soviet Russia's frontiers very badly indeed. Compared with its failures, Dimitroff's courageous conduct in the famous Leipzig trial was hardly sufficient to restore the prestige of German Communism.

The list of subsequent failures is long. In 1935 the seventh Congress of the Comintern inaugurated the policy of the Popular Front; and the centre of gravity of its activities shifted to France. The *Front Populaire* was handicapped from the beginning by the fact that one of its strongest parties acted not in the interests of progress and democracy in France, but in the interests of a foreign Power. The policy of the French Communists reflected every change of weather in the diplomatic chancelleries of Moscow and Paris, and it was a constant factor of instability inside the movement. Similarly, the coalition of the Loyalists in the Spanish civil war was sapped from inside by the encroachments of the Spanish section of the Comintern, which used the trump card of Russian deliveries of munitions for its own disruptive purposes. Thus, at every stage, the Communist contribution to the defeat of the European democracies was very substantial; and in the first phase of this war it was crowned by the defeatist attitude of the Comintern between 1939 and 1941. Communist defeatism could do little harm in the English-speaking countries, where the local sections of the Comintern have never been more than tiny sects; but in France Communist influence was a potent factor in the collapse of 1940. There, the defeatism emanating from above, from Big Business and from the military command, was supplemented and strengthened by the defeatist trend from below.

The record of the Comintern has thus been one sad sequence of failures. First, it failed in its ambitious bid for a world revolution. Then it failed as the auxiliary instrument of Soviet foreign policy. In the course of time, the once menacing spectre of revolution was reduced to a clumsy bogey; and now—with the self-disbandment of the Comintern—the bogey, too, has been laid. Nobody, apart perhaps from Dr. Goebbels—will shed a tear over the grave of the Comintern.

Venezuela's Oil

[BY A CORRESPONDENT]

May 11th.

THERE are few overseas countries whose international trade and, as a direct consequence, their internal economic position, has suffered so much from the war as that of Venezuela. This republic, consisting of 20 states, one Federal District and two "Territories," with a total area of 393,976 square miles and a population of under 3,500,000, is completely dependent on oil. Mineral oil and its derivatives have in recent years been responsible for over nine-tenths of the country's export trade, and through this had provided the bulk of the Government's revenue. Of the remaining tenth, coffee and cocoa normally accounted for over half, and of this three-quarters used to be shipped to Europe until the outbreak of war. Venezuela's oil position was exceedingly promising until, on February 16, 1942, Axis submarines attacked and damaged the large oil refineries of Aruba, where the greater part of the Venezuelan oil is refined. This damage, together with intensified U-boat warfare in the Caribbean area, and the tanker shortage, seriously reduced the demand for Venezuelan oil. The Venezuelan Government, as a result, was faced with the need to adjust its sources of revenue. Last July, the Venezuelan Congress passed the first income-tax law—a very mild one—in the country's history (which came into effect from January 1st this year), and, last November, the Government for the

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)
Established 1832.

General Office: Toronto, Canada.
Paid Up Capital ... \$12,000,000
Reserve Fund ... \$24,000,000
Total Assets over ... \$400,000,000

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

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

first time for very many years had to issue a short-term loan in the form of 4½ per cent Treasury notes.

The latter loan coincided with President Medina's speech at Maracaibo, in which he raised for the first time the question of his country's obtaining a larger share in its oil wealth. It was only natural, therefore, that this speech and the subsequent revision of the country's Hydrocarbons Act were almost generally linked up with the current Venezuelan financial and economic difficulties. Press reports published in the United States and this country at the turn of last year appeared to indicate that President Medina's speech had come like a bolt from the blue. Some of them referred to Venezuela's demand for a revision of the oil law in a way which caused a temporary depression of Venezuelan oil share quotations. The official text of the new *Ley de Hidrocarburos* has now arrived in this country. Its details, together with the accounts of the preparations of the law, show that the Venezuelan oil case has been very inadequately reported.

The new law, which was ratified by the Venezuelan Congress on March 13, 1943, contains six major changes compared with the oil code of 1936. First, the royalties, which in Venezuela are virtually a production tax, were raised from between 7½ and 15 per cent (averaging about 11 per cent) to 16½ per cent. Secondly, the surface taxes were increased on a sliding scale to make concessionaires who fail to develop their concessions pay higher taxes. Thirdly, the new law removed the oil companies' privilege of exemption from import duties on their stores and equipment, although the Government retained the right to allow duty-free imports of equipment for new construction. Fourthly, it unified the duration of oil concessions to a period of 40 years, whereas hitherto the duration of concessions had been fixed by individual arrangements. The existing concessions are not directly affected by the new law, but old concessionaires are entitled to convert their concessions into new ones of 40 years' duration on the basis of the new Act. After the expiry of any such 40 years' concession, the holders will have preference in their renewal. Fifthly, the new law granted oil companies the right, which they did not possess until then, to explore public lands outside their concessions. Lastly, the 1943 law made the existing oil pipe-lines common carriers. In other words, the pipe-line owners are under an obligation to transport oil produced by other concessionaires without discrimination, provided that their installations have the necessary capacity.

These changes cannot be regarded as revolutionary. They are by no means one-sided, and do not indicate that the present economic and financial difficulties of the Venezuelan Government have in any way been used as the basis of undue pressure on the oil companies. In fact, all major changes contained in the new law had been laid down by the Ministerio de Fomento in a memorandum on the country's oil policy, which was published in March, 1941, that is, when the country's oil production was approaching its highest level, and when all signs pointed towards an increase in Government revenues, not a contraction. While the present financial difficulties have undoubtedly accelerated the translation of these plans into practice, the new law is essentially a long-term move of decisive importance.

Despite its big expansion in the past two decades, Venezuela's oil industry is still very young, and most of the existing concessions originated in the early pioneer period of the industry. In other words, the oil companies were intentionally favoured in order that their interest in large-scale development should be attracted. To-day, Venezuela is not only the world's third largest, and potentially even the second largest oil-producing country, but for some years before the recent curtailment of shipments, it was also the world's largest oil-exporting country. The basic conditions of Venezuela's oil industry, therefore, have changed decisively in recent years, and the new law does not do much more than take notice of these changes. Generally speaking, it claims for the first time the right of the Venezuelan nation, as the owner of its oil resources, to a more adequate participation in its oil wealth.

Moreover, the provisions of the new law show very clearly that the Venezuelan Government does not wish to eliminate the foreign oil groups, which today dominate the oil industry. The new law is not restrictive but expansive, and the Venezuelan Government is obviously anxious that future expansion is secured by the fullest co-operation between the Government and the foreign oil companies. As a matter of fact, when President Medina last November "inspired by a spirit of reason and equity," claimed an increased share for the nation in its oil wealth, the negotia-

tions between Dr Gustavo Maurique Pacanius, Venezuela's Attorney-General, and the foreign oil companies on the question of their future co-operation had been in progress for some months. These negotiations resulted in arrangements which, in some parts, go beyond the provisions of the new law. In particular, it has become known that the oil companies have given an undertaking that they will actively pursue an extension of Venezuela's oil refining industry, so that within five years after the war the country's refineries will have a daily throughput of 192,000 barrels, compared with the present facilities of only 72,000 barrels. The increased refining operations will automatically expand the country's industrial basis, but the co-operation between the Venezuelan Government and its oil concessionaires does not end here. Some of the foreign oil companies have for some time past acquired mortgage-bonds issued by the Venezuelan Farming and Livestock Bank, and the Venezuelan operating companies of the Standard Oil Company of New Jersey (Creole Petroleum Corporation) and Lago Petroleum Corporation have decided to make a study of the industrial possibilities in Venezuela with a view to investing new capital in enterprises distinct from petroleum. It is obvious, therefore, that the new co-operation between Venezuela and its oil producers achieved by the new Hydrocarbons Act is an important milestone in the country's economic history.

Books Received

- The British War Economy, 1939-1943.* By Mary E. Murphy. (New York) Professional and Technical Press. 403 pages. \$2.50.
- Faith and Works.* By L. Curtis. (London) H. Milford. 120 pages. 2s. net.
- The Bankers' Almanac and Year Book, 1942-1943.* (London) Thomas Skinner and Co. (Publishers), Limited, 330, Gresham House, E.C.2. 2,116 pages. 6os. net.
- Mining Year-Book, 1943.* Compiled by Walter E. Skinner. (London) Walter E. Skinner, 20, Cophall Avenue, E.C.2. 468 pages. 2os. net.
- Design for Britain. Second Series. No. 18. Home.* By H. J. Massingham. 31 pages. No. 19. *Building Societies; Past, Present and Future.* By J. B. Leaver. 30 pages. No. 20. *Scotland's Housing and Planning Problems.* By Sir William Whyte. 30 pages. (London) J. M. Dent and Sons. 6d. each.
- Federalism and the Problem of the Small State.* By Sir J. A. R. Marriott. (London) Allen and Unwin. 125 pages. 5s. net.
- Year-Book of Labours Statistics, 1942.* (London) P. S. King and Staples. 222 pages. 8s. net. (Montreal) International Labour Office. \$2.00 net.
- The Japanese "New Order" in Asia.* By P. Einzig. (London) Macmillan. 145 pages. 1os. 6d. net.
- Economics.* Third edition. By F. Benham. (London) Pitman. 534 pages. 1os. net.
- The Native Labor Problem of South Africa.* By J. M. Tinley. (London) H. Milford. 281 pages. 18s. 6d. net.
- American Agriculture, 1899-1939. A Study of Output, Employment and Productivity.* By H. Barger and H. H. Landsberg. (New York) National Bureau of Economic Research. 440 pages. \$3.00.
- The Rise of Efficiency in Agriculture.* Lecture by A. W. Ashby. (London) Royal Institution of Great Britain, 21 Albemarle Street, W.1. 22 pages. No price stated.
- Industrial Relations in Germany, 1914-1939.* Compiled by W. Chamberlin, Graduate School of Business, Stanford University. (London) H. Milford. 403 pages. 3os. net.
- Education for Citizen Responsibilities.* Edited by F. L. Burdette. (London) H. Milford. 126 pages. 1os. net.
- The Spirit of the Age.* By John Stuart Mill. (London) Cambridge University Press. 94 pages. No price stated.
- Standards of Local Expenditure. A Problem of the Inequality of Incomes.* By J. R. Hicks and U. K. Hicks. Occasional Papers III. National Institute of Economic and Social Research. Cambridge University Press. 61 pages. 4s. 6d. net.
- Subject India.* By H. N. Brailsford. (London) Gollancz. 223 pages. 6s. net.
- India: A Bird's Eye View.* By Sir F. Whyte. (London) The Royal Institute of International Affairs. 76 pages. 1s. 6d. net.
- Fabian Socialism.* By G. D. H. Cole. (London) Allen and Unwin. 172 pages. 7s. 6d. net.
- The Russians.* By A. Rhys Williams. (London) Harrap. 248 pages. 7s. 6d. ret.
- American Labour.* By E. Davies. (London) Allen and Unwin and Fabian Society. 100 pages. 2s. net.

FUEL EFFICIENCY COMMITTEE OF THE CIPHER TRADE ASSOCIATION (Appointed at the request of the Ministry of Fuel and Power)

The Managing Director.
Messrs Symbol Ltd.

Dear Sir,

Fuel Economy in Process Work

We have now made our analysis of the questionnaire on fuel economy circulated to members of the Association in January. The results show that there is considerable scope for improvement in the industry since different firms' fuel consumption vary between 7 and 21 tons per unit of production.

Your own firm's consumption per unit of production is 17 tons, somewhat higher than the average for the whole Association. From your detailed answers to the questionnaire, we conclude that you could make substantial economies by:-

- (i) reducing peak demands for steam by starting the different boiling processes at staggered intervals;
- (ii) using exhaust steam for the central heating of the offices and cutting out the separate boiler;
- (iii) ensuring that the steam supplies to the vats are reduced as soon as boiling point is reached.

We understand that your power house is already being overhauled as a result of the recommendations of the Ministry of Fuel's engineers. This will not only reduce your fuel bill still further, but enable your firm to contribute substantially to the War Effort.

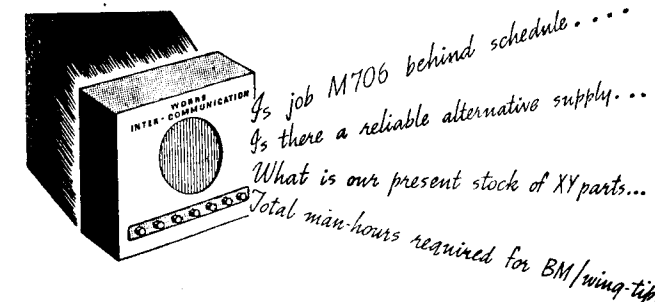
Yours faithfully,

M. Robinson
Secretary.

NOTE: The Ministry of Fuel has reminded all industrial consumers of fuel that they must not change from one fuel to another, or install new fuel burning plant, without having first ascertained that the fuel will be available. Such changes are rarely permitted, except in the case of oil burning plant to use creosote/pitch. If your firm has been asked by the Petroleum Board to convert its plant, you should act at once. Details of the Ministry's instructions can be obtained from the Public Relations Branch, Ministry of Fuel, Dean Stanley Street, S.W.1.

For correct disposal of used Lubricating Oil contact your oil supplier or L.O.P. (Lubricating Oil Pool).

Issued by the Ministry of Fuel and Power



RECORDS COST MONEY, ARE YOU PAYING TO HIDE VITAL FACTS?

Shannon Visible Records give a panoramic view of Key facts—posting is many times faster than in books. A unique all-metal Suspension holds the cards securely yet gives maximum freedom of movement. Cards are instantly removable. Both sides are available for posting and Auxiliary Sheets provide additional information or increase the card life. Let us show you how Shannon Visible Records will help to increase your control and production.

To comply with Paper Control Order 48 please send 1d. postage stamp for booklet.

Shannon
VISIBLE
RECORDS

Give all the answers—instantly

IMPERIAL HOUSE (Dept. C.3), 15-19, KINGSWAY,
LONDON, W.C.2.

And at Birmingham, Bristol, Liverpool, Manchester, Newcastle, Glasgow (Agt.)

THE BUSINESS WORLD

Department Store Outlook

ALTHOUGH 1942 was a year of progressive curtailment of supplies and of great extension of Government fixing of margins, the profits of many stores, and of some of the London department stores in particular, have shown a very marked recovery. Under a regime when almost all concerns return profits after EPT, the difference between specifically London concerns and others may well be less than, at first sight, appears. But there can be no doubt that the return of population is a factor of more importance in London than elsewhere.

The White Paper on National Income and Expenditure shows a rise between 1941 and 1942 of almost 6.5 per cent in personal expenditure on consumption at market prices, but the corresponding rise in household goods and clothing, excluding food, drink and tobacco, was only 1.7. The retail trade statistics give an increase of only 1.9 per cent for the twelvemonth to February 1, 1943, while there was actually a fall of 0.1 per cent in non-food sales. The corresponding figures for London Central and West End were, however, rises of 14.9 in total and 17.1 in non-food. This, however, falls far short of making good the declines on the two preceding years, during which there was a net expansion in total sales for the whole country. Nor, in some cases, is it enough to explain why the general results in London should be the best since pre-war days. Barkers, in particular, appear to have achieved a record profit.

Company chairmen are on the whole reticent as to the causes, but there are some fairly clear indications that the factor which played a decisive part in the result was a reduction in what may be conveniently summarised as the services rendered element in this side of retailing. The accounts cannot be said to be informative on this point. Harrods show the cost of printing, advertising, stationery and stamps and an item "transport expense." On these, they saved £101,000 between 1939-40 and 1941-42 and a further £62,000 last year. It is certain that this by no means exhausts the saving under the general head of services. The chairman of Whiteley says that reduction in advertising, savings on light, wrapping paper, a reduced delivery service and an increase in cash payments more than counteracted the rise in the wage bill. The rise in wages, which is a common factor to all the accounts stating this item, is presumably due here, as in many other cases, to the fact that payments have to be related to age rather than to skill, and that the age composition of staffs is, of course, rising rapidly. The charge of Harrods for salaries, wages and staff pension funds rose by some £88,000 on the year. It seems evident that circumstances which permitted a firm to achieve the savings without suffering the rise in staff costs—due solely to abnormal shortage of labour—would make possible some reduction in selling

prices. In 1939-40, the transport and the miscellaneous postage and advertising items of Harrods amounted to almost 18 per cent of the gross trading profit. The total "service" expenditure must have been very much higher than this. Unfortunately, the other companies concerned restrict their "profit and loss account" almost entirely to financial charges.

It is impossible to check the retail trade figures of the Board of Trade against the purchases of the White Paper, since one cannot say what "weight" ought to be given to the item drink and tobacco in the former, and because, for obvious reasons, issues in kind to the Forces are lumped together with other goods in the latter. It is doubtful whether under war conditions, the Board of Trade figures are fully representative of turnover, and it is admitted that those for stocks are less so than the sales figures. For what they are worth, they show an increase in stock, by value, last year, and at the end of January non-food stocks were 57 per cent higher than four years earlier.

The figures of the White Paper suggest a rise in prices of a selection of goods and services, covering some 90 per cent of total consumption, of 45 per cent between 1938 and 1942 and about half that percentage between 1940 and 1942. The rise in non-food prices alone would be very substantially higher, but it does not appear, on the basis of these figures, that as yet there has been a very serious fall in retail stocks, taken as a whole. Doubtless those of articles on which the profit margin is greatest may have suffered the heaviest decline.

Taken by and large, the immediate outlook for shops of all sorts, other than those mainly concerned with food, is none too brilliant, from the standpoint of physical quantities. But there appears to be virtually no limit to the prices that will be paid for a large number of commodities in short supply. There can be little doubt that this state of affairs will continue, in some lines at least, for years rather than months after the conclusion of hostilities. So long as the shortage remains general, there will be little need for concerns to indulge in acute competition by offering to reinstate services now restricted. The figures, so far as they are available, suggest no very striking relapse in the immediate future and a period of almost unexampled prosperity during the re-stocking process. This belief is reflected in the very low yields obtainable on shares of the leading concerns, a representative selection of which is given below:—

	Ten-Year Averages for Equity		Latest Year for Equity		Price May 26, 1943	Yield
	Earned	Paid	Earned	Paid		
<i>Departmental Stores:—</i>	%	%	%	%		£ s. d.
Army & Navy (10/-)	16.7	10.70	12.8	7.5	22/-	3 8 2
J. Barker (1/-)	30.7	13.00	42.2	10.0	60/3	3 6 4
Garage (10/-)	14.6	11.45	8.9	7.5	17/-	4 8 3
Harrods (1/-)	14.6	13.50	6.6	6.0	46/6	2 11 8
Lewis's Invest. (1/-)	19.2	17.00	19.0	15.0	69/4	4 6 6
John Lewis	8.6	6.40	Loss	Nil		
Maple (1/-)	6.6	4.60	5.8	5.0	23/6	4 5 1
<i>Chain Stores:—</i>						
Brit. Home Stores (1/-)	44.1	14.60	54.5	25.0	8/5	2 18 10
Marks & Spencer—						
"A" (5/-)	51.5	29.40	56.2	35.0	50/-	3 10 0
P. W. Woolworth (5/-)	64.1	54.00	57.2	50.0	59/10	4 3 6

* Averages calculated on present capital.
† Seven-year average. ‡ Six-year average. § Nine-year average.

None the less, it is not easy to evaluate the prospects of any given type of store for any period beyond the post-war re-stocking movement. In pre-war days, despite a very strong tendency to shop in the centre rather than in the suburbs, and for provincial towns to buy from the store in a few large centres, either by personal visit or through the growing mail order business, the London department

stores were far from being uniformly successful, if disclosed earnings are the criterion. Most of them secured higher profits until NDC began to make inroads into gross earnings, but the rise was not comparable with that secured by some of the chain store companies and by other concerns outside London.

In the absence of turnover figures, it is not possible to say whether this was due mainly to exceptionally high costs in this type of business or to the fact that the department stores were receiving a decreased percentage of the total business done. Almost certainly, both factors played a part. Three main trends were at work: the redistribution of income in favour of the comparatively poor, by means, mainly, of taxation; the competition in services; and the growth in the travel habit among a considerable proportion of the community. It is, perhaps, a fairly safe guess that of these the first was more important than the last two together. The chain store, which attracted the now-not-so poor—as well as the now-not-so-rich—gave the former better service than they had been accustomed to in the second-hand market, or the small local shop. Insofar as it catered for the requirements of those demanding low quality goods and only a modicum of service, the department store also benefited from the redistribution of incomes, but, at the top of the range, it had a fairly hard struggle to increase its turnover sufficiently to replace the profit on some of the lines which it was continuously losing to the chain store, and perhaps to the local shop, whose service consisted in being on the spot.

The war has speeded up the process of income redistribution and it has reduced both mobility and ability to offer services. It is just possible that some concerns may find it possible permanently to restrict services which are not essential to carrying out the main job, but there is a good deal of evidence to suggest that appearance, amenities and services will make an even greater appeal to the classes rising to the income levels which use the department store than they have done to those who have grown up with them. It seems probable that the three pre-war trends will be accentuated after the re-stocking period. It is, however, likely that the section of the population which will experience the greatest improvement in income status will be the lowest and that they will still remain below the level for which the large department store, principally, caters. From such a development, the chain store might well be the greatest beneficiary, although the local shop would secure a considerable share in the greater purchasing power.

The war has brought two new developments which may have some permanent effect on the situation: utility goods

and a greater respect for durability, resulting from the rationing of clothing and some household linens and soft furnishings. Apart from control of selling prices and freedom from purchase tax, utility goods are, presumably, cheaper than others insofar as variety has been sacrificed to mass production. This principle may be carried a good deal further before the war is over, but the fields to which the principle has so far been applied are, mainly, those into which private taste enters largely and which are, therefore, least suited to any process of standardisation. It is to be hoped that, insofar as utility goods are of guaranteed standard, this departure will be continued and extended after the war. Insofar as utility is synonymous with lack of variety, it will probably not survive the period of scarcity. Anything which makes for standardisation is likely to be relatively disadvantageous to the department store.

The second development, the tendency to look for quality and durability rather than meretricious attractions, may well persist after the period of rationing. If there is to be an increase in goods which carry the guarantee of the Government, or of a consumers' council, the new attitude of mind would, presumably, result in a larger demand for such goods. Outside their range, the more critical attitude would seem very definitely to favour the department store—or at least a department store which had mended its ways. Further, a rise in the standard of living—and it may be hoped of education in living—would also be a factor making for a more critical attitude. It would be a mistake to suggest that the goods sold by departmental stores are superior to those obtainable elsewhere. The point is that nowhere else is it possible to obtain so quickly a view of what there is available. If the redistribution of incomes and the lessons of clothes rationing mean that those in the lower income brackets are in future to study goods with a view to getting the best value for money rather than the cheapest available, that is probably a large bull point for the department store, or at least for the very large shop. At the same time, it can hardly fail to be the case that the same process will benefit the efficient chain store. Almost certainly, both will continue to make progress at the expense of the small local shop, but that is not to say that the last will not continue to hold a substantial part of the total turnover, even outside the commodities which can, strictly speaking, be brought within the food category. In general, it seems there will be reduced opportunities—although still considerable ones—for the supply of goods at very large margins of profit to the comparatively well-to-do. This will put some small shops and certain departments of some of the stores in the position of having to remodel their policy extensively.

Finance and Banking

Special Assistance

The money market has during the past week been in need of a fair volume of assistance from the customary official quarters. The most apparent factor making for stringency of credit has been the calling of loans and a refusal to buy bills by clearing banks, which have been making up for the May statements this week. The discount market, for its part, had to take up another substantial allotment of Treasury bills, having again obtained 44 per cent of its applications for the £90 million of bills on offer at last week's tender. The shortage of credit experienced over the past week is, however, somewhat surprising in view of the fact that the banks were net recipients on TDR account. Their payments were £15 million less than nominal maturities, and though there has been some pre-encashments, the banks nevertheless stood to gain a substantial amount from this source. The credit position had eased considerably by Wednesday afternoon, and the Bank return shows bankers' balances at the relatively high level of £174,067,000, showing an increase of £33,378,000 on the week. That this figure should appear in a week during which there has been evidence of stringency is a measure of the immobilisation of credit which is caused by the banks' monthly making-up. The expansion in bank cash has been mainly caused by a reduction of £15,172,000 in public deposits and in an increase of £17,295,000 in Government securities. The latter movement probably reflects some of the special assistance given to the market during the course of the week.

That assistance has been provided by means of direct purchases of bills by the official agent from discount market firms and from the banks.

Open Market Technique

The elasticity of the banking authorities' open market technique was well illustrated on Saturday of last week when an exceptional spasm of credit stringency had to be remedied in a matter of minutes before the mid-day guillotine fell on all banking operations. The causes of the sudden development of credit shortage were many: the belated effect of the banks' TDR payments, the exceptional allotment of Treasury bills which the discount market had had to take up during the week and, finally, one of those fortuitous disparities between the day's payments and receipts of the Exchequer which the authorities must

IS THIS MAN YOU?

A persuasive speaker in public, a cool calm thinker, never embarrassed, a good loser, a good mixer, making friends without effort? If not, you need RAPIDISM, the fascinating new course, endorsed by leading psychologists. Write now for free Booklet to: THE RAPIDISM INSTITUTE, E30, TUITION HOUSE, London, S.W.19.

• Interest paid half-yearly
• Income Tax not deducted at source

3% SAVINGS BONDS
1960-70
POST OFFICE & TRUSTEE SAVINGS
BANK ISSUE

always be prepared to iron out. The hint of more difficult conditions in the short loan market had already appeared on Friday of last week, and by mid-morning on Saturday it was evident that a substantial deficiency in the market's resources would have to be filled by the customary official quarters. Saturday, with its exceptionally short working day and its equally short number of available staffs, is, however, a difficult day for the deployment of the customary open market technique—involving as it does a special bill purchasing operation between the agents of the Bank of England and each of the market houses in need of immediate assistance. The method chosen on this occasion was for the agent of the Bank to take a large parcel of bills from one of the clearing banks and to leave it to that institution to give help where it was needed in the market. That assistance was given by way of loans—a simpler procedure than that of bill purchases—and, owing to the larger number of telephone wires available to the clearing bank in question, it could be diffused over the parched area with the requisite rapidity. This use of a clearing bank for the purpose of giving open market assistance to the market by the authorities is not unprecedented, though it is many months since it was resorted to. Its occasional use when the circumstances call for it shows how well the authorities have diversified their open market technique since the war. This occurrence, incidentally, illustrates a point made in *The Economist* last week when discussing the tendency of banks to buy shorter dated bills from the discount market. In so far as the banks are made the indirect instrument of open market policy and are therefore called upon to sell bills to the authorities, they will find it more convenient to run a portfolio of comparatively short bills, since the authorities always insist on such maturities for their open market purchases.

Bombay Bullion Slump

The ever-fickle bullion market in Bombay has since May 17th staged a slump of impressive proportions. On that day, both silver and gold reached their record quotations, silver touching Rs138 3a per 100 tolas and gold Rs95 10a per tola. By Thursday of this week, the prices had come tumbling down to Rs119 12a and Rs76 2a respectively. The peak prices were reached when the threat of a Japanese invasion of India appeared to be recurring, and when the inflationary situation in India was seemingly being left to its own devices. Since then the news from the Arakan front has improved, and the Government of India has launched its anti-inflationary campaign. It is the latter factor which

has particularly impressed Indian speculators, and their sales, coming on what has always been a very narrow market, have caused considerable damage to prices. It will be seen that the fall has been proportionately greater in gold than silver. This is because the genuine up-country offtake of silver for hoarding and other purposes is a persistent factor in the market and goes on irrespective of the oscillations in the fever chart of speculative sentiment. It is, moreover, felt in responsible Indian quarters that there is more promise of permanence about the present premium in the rupee price of silver over the dollar and sterling parities than there can be about the corresponding premium on gold.

Silver for Industry

The Chancellor of the Exchequer announced in the House of Commons this week that the price at which US Lend-Lease silver is to be made available to industry would be fixed by the Treasury. He added that this would merely prolong an existing arrangement, implying that the method of marketing the Lend-Lease silver would be exactly the same as that followed hitherto for effecting official sales of silver in the London market. The Chancellor was also asked whether the price at which the silver would be made available to industry had received the approval of the US administration. He answered that the question of obtaining such approval had not arisen. Although the date of the supposed exhaustion of British silver stocks is approaching fast, there has as yet been no evidence of American silver bars being handled in the market. They should make their appearance in the near future. The market still regards an upward adjustment of the London price to the American parity as improbable. Almost daily, official sales of silver are taking place at the price of 23½d. per standard ounce, and, though the daily turnover is small, the total handled over substantial periods is large enough to suggest that the arrival of 5 million ounces, of which only one-third will be available for industrial requirements, can only fill the needs of the market for a very short period—a matter of weeks rather than months. Experiments are being conducted by industry with a view to improving the recovery of silver from used products. The scope for such recovery is greatest in the photographic film industry, which is by far the largest single industrial consumer of the metal. The processes hitherto developed are, however, extremely expensive in relation to the market price of the metal. The discovery of a satisfactory method of treating film scrap would considerably relieve the shortage of silver in this country.

since the recent peak, is appreciably heavier than that in equities. This suggests that the factors affecting gilt-edged are special and not of general application. Apart from the Funds, the real interest of the investor continues to be concentrated upon speculative issues, such as diamond shares and what are called invasion stocks, that is securities which might be expected to benefit most directly from an early liberation of occupied territory.

Great Boulder Progress

It is at last possible to report some progress towards the solution of the Great Boulder dispute which has been in progress, in one form or another, since pre-war days. It may be recalled that the directors had placed the company in voluntary liquidation, as a preliminary to transferring its domicile to Australia, with a view to avoiding double taxation. This measure was blocked by the authorities, and it was then sought to put the original board back in office. This measure was resisted by a number of independent shareholders and the company has remained in liquidation, the liquidator striving to achieve some settlement of the differences. As reported in *The Economist* of March 27th, the Court granted an adjournment of a petition that the liquidator should summon a general meeting of the shareholders to appoint a new committee. In the meanwhile, those concerned were to attempt once more to obtain

a board which would be acceptable to all parties, or at least, as reported, to the majority of shareholders. This, it seems, has now been achieved, and there was some expectation that the new board would be ready to take office this week, all but one of the old board having resigned. No names are so far available, either of the new members or of the director who wishes to retain his position. As previously pointed out, the crux of the matter is that the old board exercised control of the company by virtue of its shareholdings. Nothing has transpired to suggest a change in that position, and it is evident that the new board will have to be a strong one to ensure confidence among the independent proprietors.

Stable Profits

Scarcely a change of any moment is evident in the latest industrial profits figures. These relate to accounts published in the first quarter of this year, together with the usual analyses by accounting periods, and returns on capital, on page 708 of this issue. Readers will also find an explanation of the figures on that page, and a fuller description in *The Economist* of May 23, 1942. Gross profits for the quarter (Table I) amounted to £81.6 million, compared with £81.7 million for the same 465 companies in the preceding year, and £85.5 million three years earlier, when they were roughly on a peacetime basis. Reserve allocations still tend to increase and gross equity dividends to decline, but these movements are significant rather than substantial. So far, only incomplete results are available for profits earned in the year 1942 (Table II); about two-thirds of the eventual total of companies show an increase in gross profits of 1½ per cent from £197.3 million to £200.6 million, but the final figures may show little change. Variations in the distribution of these stable profits (Table V) are equally unremarkable. Ordinary capital received 13.3 per cent gross, compared with 13.4 per cent in the first quarter of 1942, though this dividend absorbed a rather smaller share of the profits—60.3 per cent against 63.8 per cent. Heavy industrial groups show increased gross profits and increased reported net profits (Table VI). Probably this is mainly due to a less stringent provision for taxation and not to any basic change in earning conditions. This table shows for the first time the plight of the rubber industry "in the red"; 44 companies which earned £534,000 gross in the previous year showed a loss of £9,000 in the first quarter of this year. The figures of Tables II and III have been revised by the inclusion of figures for a number of small concerns and by the exclusion of those public utility companies for which no further accounts are to be presented during the war.

Company Notes

Dunlop Rubber

The preliminary statement of Dunlop Rubber for 1942—the first to reflect the influence of the Malayan losses—shows a drop in net profits from £3,186,269 to £2,433,307. Despite the increase of £50,000 to £700,000 in transfer to reserve for next year's tax provision, the drop in total tax provision exceeds that in net profits. After meeting preference payments, there is, in consequence, a small rise in equity earnings from £424,149 to £451,602, but these figures may not be comparable. Thus, it is still possible to repeat the 8 per cent ordinary dividend—less tax at some 9s. 7d.—and the transfer of £100,000 to contingencies, while raising the carry forward from £622,839 to £627,586. In a sense, the

latest results have shown the precautionary reduction of ordinary distributions from the 10 per cent paid in 1940 to have been unnecessary. The reduction in net income following the loss of Japanese-occupied territory has been less than might have been supposed, and the 10 per cent dividend could have been covered more generously than in the previous year. Yet, in view of the reconstruction liabilities which the concern will eventually have to face and the possibility of competition from synthetic and Latin American sources of supply, there can be no doubt of the wisdom of the management's decision to transfer the £100,000 surplus to contingencies. The reason for the relative stability of net earnings is, of course, in part the EPT cushion. The effect of the taxation of the group as a whole will, presumably, be disclosed in the full accounts. The £1 ordinary stock, at 34s. 3d., yields some £4 15s. 6d. per cent.

J. Lyons' Earnings

After the somewhat pessimistic statement in which Mr Salmon last year discussed the immediate future of J. Lyons, it is encouraging that, for the second year in succession net profits have risen; this time from £866,500 to £905,305 for year to March 31st. Ordinary and "A" ordinary stockholders receive 20 per cent for the fourth succeeding year out of earnings of £414,952 against £406,147, covered, it is possible to estimate, by profits of 24.7 against 23.8 per cent. After meeting proportional profit-sharing dividends, there is £43,697 for transfer to reserves, or for addition to the carry forward. In the latter case, the carry forward would be raised to £399,579. The recovery in earnings, which apparently exceeded the expectations of the directors, who forecast a disastrous cut in transport facilities, is most probably due to a further curtailment of service. During the past year, the installation of the cafeteria system has become general, and the initial cost of the physical alterations must have been many times covered. The shortage of supplies has been accentuated, but low cost ingredients have been substituted for high cost ones, without a corresponding reduction in retail prices. Within the altered range of the possible, quality has been maintained. The £1 ordinary stock, at 113s. 9d. ex dividend, yields £3 10s. 4d. per cent, a level which suggests that the market expects a steady recovery.

Kaffir Results

The results of the Anglo American group of gold mines, like those of the Union Corporation group, contain a number of bright features which partially offset the depressing influence of war conditions. Inevitably, as the following table shows, the majority of concerns have reduced their dividends. The group, however, contains two new mines, *East Daggafontein*, and *Western Reefs* which commenced commercial operations only at the end of June, 1941. In both these cases, there are increases in dividends based on higher output and diminishing costs. *Western Reefs* is, moreover, the only mine in the group to realise a rise in ore reserves, although one other, *Daggafontein*, also discloses an increase in payability. For the rest, the effect of the shortage of labour and materials has been to curtail milling operations and to reduce revenue per ton. The fact that the impact on working profits is relatively slight is due to very strict control of costs. These have been reduced in all cases except those of *Springs*, where there is a rise of the order of 1d., and *Brakpan*, where they have been held approximately constant. In the case of *Western Reefs*, the December costs figure amounted to 21s. 7½d. against 22s. 11d. for the year. The directors state that this mine has agreed to loan to *Springs* and *West*

ANGLO AMERICAN GROUP

Mines : Years Ending December 31	Tonnage Milled (000)		Revenue Per Ton		Working Costs Per Ton		Working Profit (000)		Dividends		Ore Reserves			
											Tons (000)		Averaging (dwts.)	
	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942	1941	1942
Brakpan	1,648	1,605	36/11	32/10	23/6	23/6	£ 1,105	£ 751	% 50	% 37½	6,316	5,567	4-93	4-75
Daggafontein	1,958	1,942	47/8	46/5	19/11	18/6	2,718	2,709	57½	52½	8,789	8,250	6-21	6-25
E. Daggafontein	988	1,135	44/5	41/1	26/7	22/4	881	1,065	25	26½	3,001	2,652	6-12	6-00
S. African Land	1,421	1,407	46/4	45/3	20/5	19/3	1,842	1,833	192-85	175	4,088	3,613	5-84	5-37
Springs	1,974	1,905	45/2	41/8	21/8	21/9	2,322	1,895	40	30	5,860	4,593	4-91	4-65
West Springs	1,069	994	36/2	36/1	22/11	22/5	711	683	10	7½	4,009	3,455	5-12	5-05
Western Reefs	...	907	...	39/8	...	22/11	...	760	5	40	2,002	2,102	5-58	5-99

Springs two hoists to assist the sinking of the new joint ore shaft. Despite the war, development on a limited scale is being continued on all mines and the position of the group as a whole remains satisfactory.

Textile Results

Results for the year to March 31st last of *Fine Cotton Spinners* and of "*Slubbers*"—the leading dyeing and bleaching concern—both show a rise in profits. The preliminary statement of the former discloses a rise in the net figure from £635,228 to £658,179, but there is in addition £100,000 written back from EPT not now required. This serves to meet tax liability of double the £50,000 provided in the previous year. Depreciation receives £120,000 as before, and there is a transfer of £30,000 against nil for deferred repairs. Except that £150,000 against £50,000 is provided for redemption of 5 per cent Funding Certificates, other charges are mainly constant. Thus, the surplus for equity is reduced from £175,676 to £105,509. Since there is no transfer for replacement of stock, against £80,000, the directors are able to raise the ordinary payment, resumed in 1941-42, after agreement of the refunding scheme, from 3 to 3½ per cent. The carry forward is increased from £194,025 to £199,222.

A much smaller rise in profits, from £205,857 to £206,156, has been realised by *British Cotton and Wool Dyers*. There has, however, been some fall in appropriations, including a cut in the combined provision for depreciation and deferred repairs from £124,354 to £116,753. Assuming that, as in the previous year, £3,000 is charged for directors' fees after the date of the balance-sheet, the 5 per cent ordinary dividend is covered by a rate of 7.9 against 7.1 per cent. Allowing for this payment for directors, there is an increase in the carry forward from £50,412 to £51,441 after repeating the £10,000 transfer to war contingencies. The balance-sheet suggests that the slight rise in profits is due to an increase in turnover, and this may well prove to be the explanation of the more marked improvement realised by *Fine Cotton Spinners*. In that case, however, the previous year's accounts showed an ominous running down of stocks.

Industry and Trade

Council of Agriculture on Food Production

On Wednesday the Council of Agriculture for England published a memorandum on the "Principles and Objectives of Long-term Agricultural Policy" prepared by its Standing Committee. The Committee includes representatives of landowners, tenant farmers and workers from different parts of England and Wales, and its views deserve careful examination. It has defined the objects of agricultural policy in these terms:—

The aims of agricultural policy which should satisfy the agricultural community and at the same time gain the full support of the rest of the nation, will be those of fitting the various types of British agriculture into the industrial and economic life of the whole community, including (1) the restoration and improvement of the productive capacity of farms and their equipment, and the maintenance of soil fertility; (2) the stimulation of the output of the products which are especially necessary for the health of the nation and which we are best fitted to produce; (3) the raising of the standard of life of the rural population; and (4) the attraction of an increase in that population by improving the amenities of rural life.

While admitting that by no means all the food required by this country can be produced at home, it expresses the view that production policy should be devoted to the expansion and increased efficiency of the livestock and livestock products and the horticultural industries, on the grounds that these are the main sources of farming income and of the better

DUTTON ONE-WEEK SHORTHAND is learnt in twelve 2-hour postal lessons. Send 3d. in stamps for first lesson to E.C., 92, Gt. Russell Street, London, W.C.1.

The latest statement of "*Slubbers*" shows a slight reduction in this item from £212,612 to £210,961, while net liquid assets are up from £392,704 to £453,964. The "*Slubbers*" 5s. ordinary shares, at 5s. 4½d. ex dividend, offer the sound yield of £4 13s. per cent; the £1 ordinary stock of *Fine Spinners* at 16s. 9d. yields £4 11s. 7d. per cent.

Oil Revenues

According to the accounts of Anglo-Ecuadorian Oil-fields for the year ended June 30th last, net operating income, after all tax, declined from £230,580 to £216,461, despite the inclusion in the latest year's total of £28,500 recoverable on past Ecuadorian taxation. A rise of nearly £11,000 to £26,888 in investment income brings the total revenue of £245,359 virtually up to the 1940-41 figure of £246,705. Depreciation is reduced from £138,436 to £101,200, but £100,000 against nil is placed to post-war development reserve, to meet, as the chairman, Mr H. C. R. Williamson, explains, the heavy programme of drilling that will then have to be undertaken. On the basis of the year's accounts, the ordinary dividend, unchanged at 5 per cent, is paid almost entirely out of tax recovery and draft on the carry forward, reduced by nearly £5,000 to £109,962. General reserve receives nothing this year, against £20,000. Changes in the balance sheet are insignificant, apart from a rise of approximately 50 per cent in oil stocks to £156,588. A slight fall in investments to £769,904, and a decline of £14,099 to £47,381 in cash, are more than offset by a reduction of over £50,000 to £273,108 in creditors. This sum includes tax provision and suspense items, the London account of £207,847 largely representing the reserves for Ecuadorian and British taxation, of which the latter includes the 1944 liability. The position of the company is strong, net current assets increasing over the year by some £50,000 to £1,003,718. It appears that it has been impossible to replace the loss of markets, which occasioned the fall of one-third in net trading profit for 1940-41. Post-war prospects, however, are favourable, and the company should benefit if the drilling programme can be effected without undue delay. The £1 ordinary stock, quoted at 24s. 3d. ex dividend, yields £4 2s. 6d. per cent, which compares with a return of some £6 2s. 9d. per cent on the 13s. 4d. ordinary shares of VOC, which has just announced the maintenance of the 16½ per cent distribution for the fifth successive year.

nutrition of the people. In order to secure an expansion in output the Committee proposes "such a system of guaranteed prices for the foodstuffs we are to produce as will give the efficient producer a reasonably remunerative return." It rejects tariffs as being "ineffective, or at least uncertain," as well as import quotas, which are "but a relatively indirect, and sometimes an ineffective, means of attaining a stable and satisfactory price level." It suggests that imports should be regulated and marketed through the agency of commodity commissions, which would be entrusted with determining the volume of imports. In other words, the British farmer is to have a guaranteed market for his products at guaranteed prices and deficiencies in supplies are to be made up by imports. The consumer would pay a "pooled price," to be calculated by averaging the price of the imported supply and the "somewhat higher price" of the home-produced supply. The administration of the commodity commissions might be brought under a single control under which "the financial pools for the various products might be unified into a general agricultural pool for the maintenance, with any Exchequer subsidies that might be required, of the home producers' guaranteed price level." The Committee does not say what share of consumption should be reserved for farmers in this country, but its reference to the desirability of a bigger rural population and of an expansion in output suggests that it would like to see an increase. True, the consumer is not left entirely out of the scheme of things; the Committee concedes that its control should be vested "in a body or bodies representing the general public and not an exclusive section or sections of the agricultural industry." But the consumer must have some estimate of the probable cost of the plan before he can be asked to give its his support.

Rural Land Utilisation

Last September Dr Dudley Stamp, perhaps the chief architect of the Scott Report, was appointed to be the Chief Advisor of the Ministry of Agriculture and Fisheries on the utilisation of rural land. In addition to the Chief Advisor, rural land utilisation officers have been appointed for the various regions of England and Wales. In fact, an elaborate organisation has been built up by the Ministry "to provide information and advice on matters affecting agriculture and the utilisation of the land and to co-operate closely on all questions of town and country planning." Such an organisation, of course, can render valuable services. Everything depends on the nature of the advice tendered to the Minister; if this were to be based on certain of the economic principles set out in the Scott Report, the resulting new order might well be open to objection. At a conference of the rural land utilisation officers last Friday, Mr R. S. Hudson, Minister of Agriculture, pointed out that, on balance, 750,000 acres of good farm land had been "indiscriminately" absorbed for industrial and residential development between 1934 and 1941; that this had hampered food production in war; and that there was now a wider recognition of the importance of safeguarding the position of agriculture in relation to land. Did Mr Hudson mean to imply that agriculture should in future have a prior and absolute claim in the utilisation of rural land, regardless of considerations of the relative economic advantages to the community of rival claims?

Women's Engineering Wages

One of the most-discussed topics at the Amalgamated Engineering Union's Women's Conference (described in an article on page 682) was that of women's wages. The present position is that under an agreement reached in December, 1942, between the Engineering and Allied Employers' National Federation on the one hand, and the Transport and General Workers' Union and the National Union of General and Municipal Workers (which, until the AEU admitted women in January, 1943, were the sole unions catering for women engineers) on the other hand, a rate of 50s. for a 47-hour week was laid down for adult plain-time workers, representing an increase of 7s. over the previous minimum. This rate is made up of 25s. basic rate, 22s. national bonus and 3s. time-workers' bonus; the rates for women from 14 to 20 are proportionately lower. The second part of the agreement dealt with the grading of women and proposed four categories of work: (1) for simple forms of machine-operating, assembly, viewing and work recognised before the war as women's work, 47s.; (2) for machine-operating or setter-operating and work regarded as semi-skilled and requiring training, 54s.; (3) for skilled jobs taken over completely from the men, but requiring additional supervision or assistance, 63s.; (4) for skilled jobs, taken over from the men without additional supervision or assistance, the appropriate skilled man's district rate and national bonus. In each grade the rate is for a 47-hour week, and qualifying periods between each grade are suggested. This part of the agreement is conditional upon its acceptance by the unions who were parties to the Extended Employment of Women (Relaxation) Agreement of May, 1940, which was on a somewhat different basis. It laid down that women workers employed on work previously performed by men should serve a probationary period of eight weeks at the women's rates; for a further twelve weeks they should receive an increase equal to one-third of the difference between the national women's and men's basic rate and national bonus; at the end of twenty weeks and for a further twelve weeks, a basic rate and bonus equal to 75 per cent of that of the men replaced; and at the end of the 32 weeks, women who carry out men's work without additional supervision or assistance would receive the full men's basic rate and bonus; for those who required supervision or assistance the rate would be "negotiable and arranged according to the nature of the work and ability displayed." The whole question of wages, the definition of work "commonly performed by women," and the basis of grading, is a very complicated one, and negotiations are still proceeding between the various unions.

Future of Cotton Industry

In accordance with a suggestion from the President of the Board of Trade, the Cotton Board has set up a com-

mittee of enquiry into the post-war problems of the cotton industry. Besides members of the Cotton Board, the committee includes representatives of the various sections of the industry. The industry now has a strong and representative committee to explore its postwar problems. These will be manifold and their solution may well require a substantial break with past practice and policy. But the chief task will be to render the industry as efficient as possible, that is to enable it to produce the right kind of goods at prices at which they will find ready markets. Everything else should be subsidiary to this task.

Overtime in the Cotton Trade

During the past two or three weeks, writes a correspondent, a large trade has been done in Manchester in cotton yarn and piece goods, the requirements of the Government Departments, the "utility" trade and export allocations being such that demand has overtaken supply. As the output of coarse yarns is not equal to the needs of cloth manufacturers, Sir Frank Platt, the Cotton Controller, has arranged for a number of mills to work overtime to the extent of four hours per week. About fifty mills in the Rochdale, Newhey, Royton and Shaw districts have been selected for the scheme. It is pointed out that this area has always been engaged in the production of coarse yarns, and overtime will substantially increase the weight of yarn produced. Some 15,000 operatives will be affected; the factories will work 52 hours per week instead of 48 hours. It is understood that the Controller has consulted the employers and the trade unions and they have agreed to give full support to the proposal. The yarns mentioned are urgently wanted for Government cloths. Sir Frank Platt has put forward a new slogan: "To beat the Hun, yarn must be spun." If the action now taken does not mitigate the shortage of supplies, overtime may have to be extended to other mills.

Conciliation in Coal Mining

The full text of the award (briefly summarised in last week's *Economist*) of the Greene Board of Investigation on the issue raised by the Northumberland miners concerning the restrictive effect of the War Wage Additions Agreement of 1940 on national and district freedom of action under the new National Conciliation Scheme, deals with one or two particularly interesting features of the system of collective bargaining. The governing principle of the award is the desirability of reserving to either party to an industrial agreement the right to apply for a review of some or all of its provisions in the light of altered circumstances. Usually this contingency is met by limiting the lifetime of agreements, but in the coal mining industry such a safeguard has been provided even under agreements limited to three years. The position, however, as regards the 1940 national agreement was exceptional in that it was long and indeterminate; it could not be terminated except by six months' notice after the cessation of hostilities. In such circumstances collective bargaining, in the opinion of the Board, should in the interests of fairness and industrial peace, be regarded as open to review at the instance of either party able to establish a substantial change of circumstances. The immediately practical question then was: Could such a substantial change of circumstances be established in this particular dispute? The Board held that it could, and on this finding it has brought the 1940 agreement within the scope and purpose of the new National Conciliation Scheme. The four principal altered circumstances to which it draws attention in its award are the following: (1) Under the new national arrangements the principle has been accepted that settlements upon national questions are subject to review upon proof of a substantial change of circumstances since the date of such settlements; (2) the Government's White Paper policy favouring the treatment of questions of wages and conditions in the mining industry on a national basis and by a properly constituted national body; (3) the acceptance by the coal owners of the Greene wage award of last June, in spite of the fact that they had protested to the Greene Board at the time that both these demands were inconsistent with the provisions of the 1940 agree-

(Continued on page 704)

COMPANY MEETINGS

ROYAL INSURANCE
COMPANY, LIMITED

PROGRESS IN ALL DEPARTMENTS

MR P. R. ENGLAND'S SURVEY

In a statement circulated with the ninety-eighth annual report of the Royal Insurance Company, Limited, the chairman, Mr P. R. England, indicates that fire premiums, at £6,368,000, were higher than for 1941, due in part to increased values. Home losses, though heavy, were better than in the previous year. Underwriting profit of £548,000, or 8.6 per cent., was shown. Premiums in the United States again rose with the growth of industrial activity and increased commodity values, and with both loss and expense ratios lower a satisfactory underwriting balance was disclosed. In Canada premiums were lower, losses moderate, and a profit resulted. Australasian operations had been satisfactory. In the general foreign field the accounts reflected in full the effect of enemy occupation of Far Eastern territories. Elsewhere the overseas business showed healthy vitality and trading results had been satisfactory.

Accident and General premium income at £6,871,000 showed further expansion, a moderate reduction at home, mainly motor, being offset by increases overseas. A profit of £876,000, or 12.7 per cent., resulted.

ROAD ACCIDENTS

The continued slaughter on the roads called for insistent protest. A new feature was the marked rise in child fatalities, which in 1942 were 27 per cent. higher than in 1939, despite a reduction of 16 per cent. in the total fatalities. Children's deaths in road accidents in this country during the last three years totalled nearly 4,000, or over 75 per cent. of children's deaths through air raids. The whole question should be taken in hand by the authorities in no uncertain way. Radical changes in road policy might be called for; but the need for the individual, whether driver, cyclist or pedestrian, to exercise a greater measure of care and consideration for other road users remained as urgent as ever.

THE BEVERIDGE REPORT

The chairman emphasised that insurance companies were not ranged in opposition against the Beveridge Scheme. The underlying aim—the abolition of want—must obviously command universal sympathy, but when there were alternative methods of administration available which involved no abandonment of the social aims, Parliament had surely not only a right but a democratic duty to examine them.

So far as workmen's compensation was concerned, the terms of benefit were laid down by Statute and the function of the companies was to administer those terms whatever they be. Any beneficial adjustment which might be introduced would be welcomed. Moreover, the margin for working costs was strictly limited under agreement with the Home Office. The chairman claimed that insurance companies had built up a machine for administering benefits which was unexcelled in its smooth and practical efficiency, and that, in the interest of workman no less than of employer, it should not lightly be scrapped.

Net new life business, at £2,665,000, was about £500,000 less than in 1941. The total was still over one-half of the pre-war figure, despite the fact that the company had now no staff canvassing life business. Death claims, at £795,000, included war claims of £48,000, and were £107,000 less than in 1941.

Marine business had been attended by many difficulties during the past year. The area in which business could be transacted had been restricted, but problems had multiplied. Premium income had greatly increased, owing to higher rates and values, and had reached a record figure of £3,967,000. In 1942, however, war losses falling upon the company's American business were particularly heavy, so that the amount carried forward to meet second-

year claims was proportionately smaller than usual. This account, therefore, might well close with a debit balance, a factor to be borne in mind when considering the very good result of the 1941 account.

PROFIT AND LOSS ACCOUNT

The directors recommended that an amount of £500,000 be transferred from the balance of profit and loss account to the reserve fund, thereby increasing the latter to £2,000,000. After provision for the final dividend of 3s. 3d. per share, a balance of £2,444,000 is proposed to be carried forward, an increase of £137,000.

Total underwriting profit was £1,762,000, against £1,191,000 in the preceding year.

BALANCE SHEET

Market values of the company's investments showed an enhanced margin over book values. It was a continuing story of higher capital values and lower interest returns. The claims of Government issues dominated all new investment, and the company's existing portfolio was subject to the constant erosive effect of requisitioning and conversion schemes. The "Royal" and its associated companies now held over £12,000,000 of British Government war securities and they subscribed further large amounts to the war issues of the United States, India and the Dominions. Apart from increased holdings in British and other Government bonds, there had been no material change in the broad classification of the company's assets.

In a multitude of ways, collectively and through the services of individual officials, the company continued to assist the Government in those many matters where, by virtue of its country-wide organisation and technical equipment, it was specially able to help.

The company's staff had been both reduced and diluted. Only 53 per cent. of its pre-war male personnel now remained, and over 800 of the home staff, male and female, were now in the Forces or in National Service.

Post-war problems might seem remote, but the need for a full development of international trade was axiomatic, and there could be no commercial activity more international in character than insurance. Of the business of the British companies, other than life, more than half came from overseas, and was built up on confidence. Provided nothing was done to impair that confidence, the companies could maintain, both now and after the war, a contribution to the country's welfare comparable with any of the nation's major exporting industries.

BRITISH ENKA, LIMITED

The eighteenth ordinary general meeting of British Enka, Limited, was held on the 24th instant in London.

Mr A. D. Carmichael presided, and in the course of his statement said:—The working profit for the year 1942 is £139,373. This is £16,935 higher than for the year 1941. In view of the reduced production, dislocations following the heavy withdrawals of labour, rise in costs of wages and raw materials, the result is not unsatisfactory.

The net profit for the year is £66,080.

We have been able to maintain a good standard of quality, and to give satisfaction to our customers in quality if not in quantity. We are scheduled under the Essential Work Order, and the whole of our production is now directed by the Board of Trade, and is for war purposes, for utility clothing, or for export. Rayon producers have negligible stocks of yarn compared with normal times, and in the home trade it appears similarly that our main clients are also very short of yarn. The demand is very keen. In the export market we are restricted by Government control because of war conditions. The total of annual exports from all rayon producers from this country, whilst comparing favourably with pre-war, is less than that made alone by our parent firm from Holland in pre-war days.

The reports and accounts were adopted.

NORWICH UNION LIFE
INSURANCE SOCIETY

SUBSTANTIAL NEW BUSINESS

The one hundred and thirty-fifth annual general meeting of this Society was held, on the 25th instant, at Norwich.

Mr Ernest Hicks (the president) said that during 1942 they increased their holdings of British Government securities by over £1,750,000 in addition to purchasing on behalf of members some £250,000 of Savings Bonds under their special Savings Bonds Schemes. He was pleased to see recently that the Government gratefully recognised that offices, by these special schemes, were making a direct contribution to the national financial effort. They had also been able to pass over to His Majesty's Government a further £200,000 worth of these overseas currencies needed to finance our heavy purchases from abroad.

Their field staffs had been reduced almost to zero, and it was therefore a great tribute to the Society's good name and reputation that they were able to record a new business figure of over £7,400,000, an increase of £750,000 on the figure for 1941.

Total claims for the year were £1,356,536, and these included the large sum of £213,000 due to war deaths at home and abroad. In addition the Society had paid out £2,000,000 under matured policies.

They were able to show a net rate of interest of £3 8s. 6d. per cent. on the total funds, a small, but very welcome, increase of 9d. per cent. on the 1941 figure.

The funds at the end of 1942 stood at approximately £55 millions and showed an increase of £1,669,585. Last year the market value of their securities was much above the figures shown in the balance sheet, and there had been a further very considerable increase in value during the year of account.

The report was unanimously adopted.

NORWICH UNION FIRE
INSURANCE SOCIETY

INCREASED PREMIUM INCOME

The annual general meeting of this Society was held, on the 24th instant, at Norwich.

Mr Ernest Hicks (the chairman) said that in the fire account there was a satisfactory increase of £122,050 in premium income, and a gratifying profit of £204,261 was available for transfer to the profit and loss account.

The accident account disclosed a decrease in premium income of £96,338, principally due to the very considerable curtailment of motor business, but the underwriting provided a very substantial profit of £244,658.

The marine premium income had increased during the year by £605,132, showing a total of £1,312,970. Unfortunately, 1942 had been a very heavy drain on the companies, particularly in America, where the losses were exceedingly severe immediately following the Japanese attack upon that country. The 1940 account now closed showed a profit which the board had decided should be left in the fund, which now amounted to £1,072,817, sufficient in their view to meet future liabilities.

A summary of all departments was as follows: The total premium income was now £5,089,787, an increase of £630,844, and the total amount available for transfer to the profit and loss account was £448,919. In addition to the trading profit, the profit and loss account was credited with £116,199 for net interest, leaving, with the amount brought forward, a sum of £900,319 at their disposal. The balance carried forward was £330,498, as against £335,195 last year.

The total assets of the Society were now £8,151,839, £547,754 more than the previous year.

The report was unanimously adopted.

IMPERIAL CHEMICAL INDUSTRIES,
LIMITED

FACTORIES AT FULL PRESSURE

LORD MCGOWAN ON POST-WAR TRADING

The sixteenth ordinary general meeting of Imperial Chemical Industries, Limited, was held, on the 27th instant, in London.

The Rt. Hon. Lord McGowan, K.B.E., D.C.L., LL.D., the chairman, presiding.

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

The intensification of the war during 1942 raised to still higher levels the pressure of demand for the products of our factories. They have worked to full capacity throughout the year. Our plants generally are being run at the highest possible pressures, working many more hours a day in some cases than normal and giving output well beyond usual rated capacities.

Considerable quantities of exports have been safely carried through all perils to their destination. We again pay tribute to the courage of the merchant sailors, and the high degree of protection afforded by the British and American forces on the sea and in the air.

Our main manufacturing subsidiary or associated companies in the British Empire—Imperial Chemical Industries of Australia and New Zealand, Limited, Canadian Industries, Limited, and African Explosives and Industries, Limited—have continued their successful careers. War conditions in those countries daily become more like those in our own. The story of the efforts of these companies in manufacturing goods essential for the prosecution of the war will be a proud record when it can be fully told.

RESEARCH AND DEVELOPMENT

We have played our part in scientific developments during the war, and are ready to adapt our novelties to the many uses that will come with victory and peace. If I were free I could tell you of some remarkable chemical discoveries available to the United Nations that have been made by British scientists—in which, indeed your company's personnel have played no small part—but the products of these inventions have in almost all cases been used by the services, for medical purposes, in agriculture, and in other fields, to help to defeat our enemies and succour our allies.

We are convinced that British industry must be prepared to invest much more generously than in pre-war days in research and development. For years past we have spent considerable sums, but we are at the present time considering a marked post-war expansion of the company's scientific staff, its laboratory accommodation, the necessary experimental engineering shops and all other branches of this work.

PHARMACEUTICAL PRODUCTS

We have a substantial interest already in the plastics industry and some notable achievements to our credit in the production of new and highly complex plastics with a promising future. Beyond that we have in our large and able research organisation covering a vast field of chemical activity the surest background for further development in this expanding branch of production.

It is now nearly seven years since we decided as an initial step to commence research on pharmaceutical products with a view to later manufacture. We had in our dyestuffs enterprise the essential basis for entry into this highly specialised field, and in our powerful research establishments in organic chemistry the necessary instrument of progress.

During the years immediately preceding the war we were pursuing the objective of discovering new substances, but on the outbreak of war a fresh situation arose in that there were many important drugs which had hitherto been available solely

from Germany, and our energies were turned towards mitigating this difficulty.

Our entry into manufacture has therefore been accelerated until we have now felt it desirable to co-ordinate our activities by the formation of a separate company, by name Imperial Chemical (Pharmaceuticals), Limited. We have had the satisfaction of providing the Government with a number of essential pharmaceutical products.

LARGER TOTAL INCOME

The total gross income shown in the consolidated income statement is £22,182,000, compared with £19,956,000 for 1941. The net consolidated income for the year has risen from £6,243,000 to £6,873,000, an increase of £630,000. The estimated total National Defence Contribution and Excess Profits Tax, both British and overseas, chargeable on our home and overseas companies exceeds £7,200,000.

The surplus of combined assets over combined liabilities and share capital rose from £15,916,000 to £16,622,000 during the year. The general reserve remains unchanged at £12,000,000; the war contingency reserve has risen by £250,000 to £2,750,000; the war personnel reserve is £100,000 and the central obsolescence and depreciation fund has risen by £1,350,000 to £8,240,000.

The post-war future is clouded with uncertainty for everyone. Of only one thing can we all be sure—that for some years conditions for trade and industry will be subject to varying measures of State control.

In drawing the line between public and private enterprise I would emphasise the truth that whatever measure of international co-operation may be achieved in the future, no instrument of progress and prosperity has yet been found to equal private enterprise in originality, celerity, or accomplishment. Industry, therefore, has to look to its own organisation in order that by discussion and consultation its views may be effectively presented in the press of argument out of which future detailed policies will emerge. We are already active in this field.

IMPORTANCE OF EFFICIENCY

Our manufacturing and commercial institutions run beyond these islands, reaching out into the Dominions, India, and the Colonies, and many foreign countries. International trade is of vital importance to us, and we shall welcome every step to facilitate its freedom and extension. Above all, we are convinced that our own international trading position, in whatever condition of rivalry or organisation the trade will in future be carried on, must rest upon a high efficiency of production springing out of persistent research for new methods and new products, accompanied by the initiative and speed of action which private enterprise alone can provide.

It will therefore be our purpose to preserve your long-term interest by the maintenance of efficiency and contentment among our people, by the rising standard of education and knowledge in all our ranks, by the prosecution of our research in an ever widening field, by our boldness in the development of the new services and products which are emerging from the industrial chemist's brain and by the wise conservation of your company's financial resources, all governed—not by any selfish interest dictated solely by the profit motive—but by our policy of service to the innumerable people who, directly or indirectly, are our customers at home and abroad.

ASSOCIATED GAS AND
WATER UNDERTAKINGS,
LIMITEDADVANTAGES OF CO-ORDINATED
CONTROL

The tenth ordinary general meeting of Associated Gas and Water Undertakings, Limited, was held, on the 26th instant, at 2, Chart Lane, Reigate, Surrey.

The chairman, Mr W. H. Bennett, M.Inst.GasE., said: Additional ordinary capital to the extent of £300,812 has been issued for the acquisition of a majority interest in the Bognor and District Gas and Electricity Company. Investments have increased by £325,851 in consequence of that acquisition and the purchase of further holdings in other of our subsidiaries.

Revenue receipts at £172,714 show an increase of £6,345. Expenditure has risen by £7,855. Net profit amounts to £60,310, which is sufficient to pay dividends of 5 per cent. on the ordinary stock and 5½ per cent. on the newly created deferred capital and to increase the sum carried forward by £4,349.

DEVELOPMENT OF UTILITIES CONTROLLED

Before the outbreak of hostilities it was my practice at our annual meetings to deal not only with the figures shown in our own accounts, but to review the activities of our subsidiaries. It is regrettable that this is not permissible during the war, but I believe that, when normal conditions again prevail and the position can be reviewed, stockholders will be more than satisfied with the results achieved by our 29 associated companies.

In the development of this company we have always had in mind the acquisition of a majority interest in contiguous undertakings, so as to facilitate (where economic and practicable) the closing down of smaller units and the maintenance of the gas supply by inter-connection with larger works, coupled with co-ordination of management and technical and commercial supervision. Whilst hostilities have necessarily placed our schemes in abeyance, definite progress has been made during the war, and we are now chiefly operating in two compact areas in Southern England.

It is interesting to observe that this policy and practice (which we have pursued for the past nine years and intend to extend to the utmost when victory is secured) now appears to be the accepted basis for the post-war planning of the gas industry by the Government and the industry itself. The development of this ideal will be facilitated by the closer co-operation between holding companies which is being brought about by the Association of Gas Corporations, of which your company is a founder member. The Association is actively engaged in preparing its post-war reconstruction proposals as affecting the 250 gas undertakings which its 11 members control, representing an embarked capital of £25 millions and the supply of 41,000 million cubic feet of gas per annum to 1,400,000 consumers.

FREEDOM OF OPPORTUNITY AND CHOICE

We face the immediate future with confidence, despite the fact that our primary objective of increasing the output of our undertakings cannot be fully attained owing to the imperative need for fuel conservation, to secure which we are, as you would expect, co-operating with the Ministry of Fuel and Power in its fuel economy plans. The recent establishment of this Ministry has been widely welcomed by the fuel industries as a means of securing the best possible service to the public. We ask only that each industry shall be accorded equal freedom of opportunity and that consumers shall have equal freedom of choice amongst the fuels available for use.

The report and accounts were unanimously adopted.

THE RIO TINTO COMPANY, LIMITED

THREAT TO LONDON MINING MARKET

The seventieth ordinary general meeting of the Rio Tinto Company, Limited, was held, on the 21st inst., in London.

The Rt. Hon. the Lord Geddes, G.C.M.G., K.C.B., chairman of the company, in the course of his speech, said: I think I may say that considering all things, the accounts disclose a position better than might have been anticipated. With no market whatever on the Continent outside Spain, we have been able to maintain our installations in reasonable efficiency, pay our taxes, meet our debenture interest and redemption liabilities, earn our preference dividend and add some £7,000 to our carry-forward, but this was only possible because we had in our peseta balances, built up by our extremely conservative practice in years gone by, funds from which there is now brought into revenue the amount of £194,660.

London has for many years been a great centre for the organisation and finance of mining enterprise. I believe the prosperity, even the continued existence, of the mining market in London to be gravely threatened from the political side by ignorant but loquacious agitation which, were it to succeed, would deal a very severe blow to the prosperity of this nation and to the wage earners in many of our manufacturing industries.

A HAZARDOUS ENTERPRISE

Mining is at all times, and even under the most favourable conditions, a hazardous enterprise, and the overall return is surprisingly small.

Under English taxation practice no depreciation allowance is conceded for a great part of the main development work, notwithstanding the fact that, when the mine is worked out—and the life of a mine is often short and always unpredictable—the whole of the money spent upon it has been dissipated. The mining industry is exceptional in that the principal capital asset—namely, the ore—must necessarily be wholly consumed in the process of production.

There has been slowly built up in England over the past 100 years or so a very efficient, very complex, organisation, financial, technical, industrial, and commercial, which is spoken of as the London Mining Market. It is engaged in mining exploration in overseas countries, and in financing, developing and managing mining enterprises.

REGISTRATIONS ABROAD

The position of the United Kingdom as a centre of overseas mining enterprise has been of recent years increasingly challenged, and the mainspring of that challenge lies in the much more favourable taxation position of mines registered in other countries compared with those registered in the United Kingdom. In North America for many years past, in South Africa more recently, the exceptional position of the mining industry in respect of the wasting nature of its capital assets has been recognised.

Unless the handicaps under which mines registered in this country now labour are removed, new mining ventures will seek registration abroad. Many have already done so. With the loss of United Kingdom registration will go not only much of the invisible export represented by dividends and remittances, but a large part also of the visible trade in the form of mining machinery and accessories.

Without some provision to secure fair play for mining companies with headquarters here, the London Mining Market will vanish, and if it vanishes much of our national power to defend the peace that is to be will disappear, for metals are the basis of strength in peace as in war.

The report was adopted.

RAND MINES LIMITED

(Incorporated in the Union of South Africa)

A SATISFACTORY POSITION

MR JOHN MARTIN'S ADDRESS

Mr John Martin, the chairman, presided at the annual meeting of Rand Mines, Limited, on the 21st instant, in Johannesburg.

In moving the adoption of the report and accounts, the chairman said that it would be agreed that the position disclosed was satisfactory. Profit earned had been £874,468, a decrease of £90,893, compared with the figure for 1941. That profit had been derived exclusively from dividends, interest and sundry revenue. There had been a decrease of £118,066 in the investment reserve account, which stood at £3,318,907. The balance of the appropriation account had been increased by £69,717, to £1,445,625, that sum being represented by cash and cash assets after allowing for all liabilities except those of a contingent nature. Ample cash resources were available to meet all contingent and option liabilities to subscribe for shares in and to finance certain undertakings.

Investments in shares and debentures had been brought into account at book value of £3,838,803, which was a decrease of £116,480 compared with the total at the end of 1941. Investments for which share market quotations were available appeared in the books at, or under, cost, but in no case above market price at December 31, 1942. Unquoted securities had been entered in accordance with the conservative valuation placed upon them by the board, and in no instance at valuation exceeding cost. The market value of the gold mining interests of the company at the end of the year had represented 75.049 per cent. of the market value of all investments, and of these gold mining investments 91.208 per cent. had been dividend-producing.

MINING OPERATIONS

The gold mining industry had experienced in 1942 one of the most difficult years in its history. Nevertheless, operations had been maintained on a satisfactory basis and the results achieved reflected clearly the inherent stability and excellent organisation of the industry. The output of gold by mines of the Witwatersrand area, together with miscellaneous production, had been 13,761,035 ounces fine, a decrease of 278,877 ounces compared with 1941. As a result of a drop in the tonnage milled and in the average gold yield, working profit earned had fallen by £2,189,897, to £43,655,146.

The price received for gold and the rate at which normal income-tax had been payable by the gold-producing companies remained unchanged throughout the year. As from January 1, 1942, however, the special contribution which was based on taxable income before deduction of redemption allowance and any tax loss brought forward from a previous year had been increased from 16 per cent. to 20 per cent. Since January 1st of the present year that contribution had been further increased to 22½ per cent. During 1941 a tax of 5 per cent. on dividends payable to shareholders non-resident in the Union had been introduced, and since the close of the company's financial year that tax had been increased to 7½ per cent. Taxation of gold mines in the Transvaal, including the share of profits paid to the Government by leased mines, had amounted to approximately 27.7 million pounds in respect of 1942.

STAFF WAR WORK

The manufacture of munitions in mine workshops for the Department of War Sup-

plies had been continued throughout the year.

In July the Prime Minister appealed for recruits for the Army to take the place of soldiers captured at Tobruk, and in response to that appeal the gold mining industry had released an additional 1,200 of its employees for full-time military service, bringing the total number of employees so serving at December 31, 1942, to 7,405. At the same date 6,060 employees of the industry had been engaged on part-time military service, the bulk of whom were members of the Mines Engineering Brigade, which had been re-organised and turned into the Armoured Car Brigade Group.

Good relations had been maintained between employers and employees, and there had been ample evidence of that spirit of co-operation which had played so large a part in enabling the industry to deal successfully with many war-time problems with which it was confronted.

During the latter part of the year there had been a serious shortage of native labour which had added considerably to the difficulties of most mines. There had since been some easing of the position, but various factors were operating at the present time against the maintenance of an adequate supply.

Large numbers of natives had enlisted for military service, many more had gone to Transkei and Ciskei to work in dock areas and on defence works and in wartime industries. In order to assist the military authorities to recruit natives, recruiting for the gold mining industry had been suspended during the year in Nyasaland, Southern Rhodesia, Basutoland, Bechuanaland and Swaziland, and it was only recently that recruiting had been recommenced in certain of these territories.

SUPPLY DIFFICULTIES

Increasing difficulties had also been experienced in obtaining adequate supplies of essential materials from overseas. Since the beginning of the war systematic efforts had been made to effect economies in the use of essential materials and to conserve stocks. The plan for pooling stocks among gold mines introduced in 1941 was in 1942 carried further by the introduction of an agreement whereby stocks, purchases, allocation, distribution and rationing of supplies were controlled by a mine stores department of the Transvaal Chamber of Mines.

Owing to the shortage of paper the report of the proceedings at the meeting would not be circulated to shareholders, but copies could be obtained on application to the office in Johannesburg or to the London secretaries of the company, Messrs A. Moir and Co.

Among emergency measures adopted during the year had been the creation of a war damage pool, in terms of which gold mining companies which were members of the Transvaal Chamber of Mines had agreed to pool within certain limits the cost of replacing property and plant damaged in circumstances attributable to the war.

WITWATERSRAND RESULTS

Ore milled by the Witwatersrand mines of the Central Mining-Rand Mines Group during 1942 had been 20,432,200 tons, a decrease of 636,300 tons compared with the previous year. The average yield of gold per ton milled had fallen by 0.069 dwt., to 3.621 dwt., a decrease of 1.87 per cent. There had been a fall of £743,967 in the

total working profit, which had amounted to £10,344,861.

The total amount distributed as dividends had been £4,317,097, or £392,616 less than in 1941. The amount provided for payment of direct taxation to the Government had decreased by £29,393, to £5,731,531.

Development accomplished during the year had totalled 328,728 ft., a decrease of 350,800 ft. That large drop in development footage had been due to the decision by the industry as a whole to reduce that type of work to the lowest level consonant with the maintenance of a sound ore reserve position and in order to achieve the maximum economies possible in the use of essential stores and materials.

At Blyvooruitzicht mine, milling of development rock had commenced in February and during the year a total of 99,200 tons had been treated, the yield being 6.371 dwt. per ton. Working costs had been 53s. 2.4d. per ton milled, and net working profit for eleven months had been £1,816. Development had totalled 22,171 ft., and 12,415 ft. had been sampled on the reef, which had averaged 62.4 dwt. per ton over a stoping width of 11.6 in., equal to 724 inch-pennyweights.

At Geldenhuis Deep Mine the payable ore contained in the eastern section had been exhausted during the year and mining operations at No 2 shaft had been discontinued in November. In the western area conditions had become increasingly difficult owing to numerous and severe earth tremors which had frequently interrupted operations and resulted in serious caving and falls of hanging. That extensive damage had restricted the areas available for mining and rendered inaccessible a large portion of ore reserve which was widely scattered throughout that section. Remaining resources were very limited, and it was clear that the life of the mine must now be brief.

HEALTH OF STAFF

The average number of Europeans employed by twelve Witwatersrand mines of the group had been 14,471, including those on active service. The average number of non-European employees had been 110,048, a decrease of 4,226 compared with 1941. At the end of last month the average number of non-Europeans employed at these twelve mines had decreased to 95,978.

The health record of the native employees had continued to be good. The mortality rate from disease had fallen from 3.10 per thousand to 3.05 per thousand, while deaths from mining accidents had decreased by 0.20 to a new low record of 1.47 per thousand. Compared with 1941 shifts lost per native per annum due to disease and accidents had risen from 5.21 to 5.36.

The present valuation of outstanding phthisis liability of mines of the group was £6,408,119, an increase of £59,289 compared with 1941. The twelve mines affected had provided with accrued interest up to the end of 1942 a total of £3,727,644 towards meeting that liability.

Many employees of Rand Mines, Limited, and of the companies within the Central Mining-Rand Mines group are absent on military service. Our thoughts and good wishes are with them. It is with deep regret and with sincere sympathy for their relatives that I have to record the fact that since the beginning of the war 86 have lost their lives, 15 have been reported missing and 215 are prisoners of war.

I wish to acknowledge the valuable work performed by the Transvaal Chamber of Mines and its subsidiary bodies. I should also like to thank the head office staff of the company and the managers and staffs of the mines of the group for their loyal and able services. At the same time I want to express warm appreciation of the excellent work performed in difficult circumstances by Messrs A. Moir and Co., London Secretaries of Rand Mines, Limited.

The report and accounts were adopted.

CROWN MINES LIMITED

(Incorporated in the Union of South Africa)

MR JOHN MARTIN'S ADDRESS

Mr John Martin, the chairman, presided at the annual meeting of Crown Mines, Limited, held, on the 20th instant, in Johannesburg.

After reviewing the operations, the chairman said the total profit had been £3,229,678. Dividends had absorbed £1,225,981, provision for taxation had amounted to £1,898,421, capital expenditure had accounted for £52,795, and further provision made in respect of miners' phthisis outstanding liability had been £71,054.

Expenditure on capital account had been chiefly for air-cooling plant at number 17 shaft pumping plant, at number 14 B shaft, and alterations and additions to "C" reduction plant. All capital work on "C" reduction plant had now been completed, and there had been a consequent improvement in residue values. At number 17 shaft work was still proceeding on the air-cooling plant, portions of which had only recently been delivered from overseas.

During the year the gold-mining industry had made every effort to conserve essential stores and materials to the fullest extent. In order to achieve that object and in conformity with the general policy followed by the industry, development on the mine had been curtailed, the total amounting to only 34,426 ft., compared with 116,060 ft. in 1941. The bulk of the work had been confined to the Main Reef Leader, where disclosures had remained satisfactory, the total payable ore disclosed amounting to 1,322,700 tons, of an average value of 5.9 dwt. per ton. The available ore reserve had been re-estimated as at December 31, 1942, to be 17,191,300 tons, of an average value of 4.8 dwt. over a stoping width of 44.2 inches.

Compared with the position a year previously there had been a decrease in the available ore reserve of 2,327,200 tons, width being 0.1 in. lower, while the value had remained unchanged. In spite of a reduction in the tonnage of ore the reserve position remained satisfactory.

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 was based on taxable income before the deduction of the redemption allowance and any tax loss brought forward from a previous year. As from January 1, 1942, the percentage payable had been raised from 16 to 20, while as from the beginning of the current year there had been a further increase to 22½ per cent. In 1941 a tax of 5 per cent. on dividends payable to shareholders non-resident in the Union had been introduced, and since the close of the financial year it had been increased to 7½ per cent.

LABOUR AND SUPPLIES DIFFICULTIES

During the latter part of the year serious shortage of native labour had restricted operations at the mine to a considerable extent. Since the close of the financial year there had been some easing of the position, but the many calls made upon native labour supply for defence purposes must be expected to have a continued adverse effect on the volume of labour available for service on the mines.

Difficulties had also been experienced throughout the year in obtaining adequate supplies of essential materials. In order to ensure that mining supplies were used to the best advantage, an agreement had been entered into, in common with other companies in industry, whereby stocks, purchases, allocation, distribution and rationing of such supplies were controlled by a mine stores department of the Transvaal Chamber of Mines.

Owing to the shortage of paper the report of the proceedings at the meeting would not be circulated to shareholders. Copies could, however, be obtained on application to the head office in Johannesburg or to the London office.

At the end of the year there had been 441 employees on full time duty in the armed forces. Munitions production had been well maintained in mine workshops.

The report and accounts were adopted.

CITY DEEP LIMITED

(Incorporated in the Union of South Africa)

DR HANS PIROW'S STATEMENT

Dr Hans Pirow, the chairman, presided at the annual meeting of City Deep, Limited, held, on the 20th inst., in Johannesburg.

After reviewing operations for 1942, the chairman said the total profit had been £822,774. Dividends had absorbed £408,750 and provision for taxation had amounted to £435,448. Further provision in respect of miners' phthisis outstanding liability had been £24,169.

Net expenditure on capital account for the year had been £91,731, of which £35,350 had been charged to appropriation account, being the amount in excess of working capital of £56,381 in hand at the beginning of the year. The bulk of that expenditure had been in connection with air-cooling plant at number 4 shaft, which was now in operation. That plant, which was situated on the surface at number 4 shaft was passing into the mine approximately 280,000 cubic feet of air per minute and considerable benefits had already been obtained in the workings served by the shaft.

In conformity with the general policy of the gold-mining industry to conserve essential stores and materials to the fullest possible extent, development had been carried out on a much reduced scale, the total amounting to 23,455 ft., which was a decrease of 39,819 ft. compared with the previous year's figure.

Payable ore proved had totalled 510,300 tons of an average value of 5 dwt. per ton. Of that, 480,700 tons had been in the Main Reef Leader and had been valued at 5.2 dwt. per ton, while the remaining 29,600 tons had been in the South Reef and had been valued at 3.3 dwt. per ton.

Available ore reserve as re-estimated at December 31, 1942, had been 3,693,000 tons, of an average value of 5.3 dwt. over a stoping width of 43.5 in. Available ore reserve showed a decrease of 420,900 tons compared with the previous year's figure, the value and width being greater by 0.1 dwt. and 0.2 of an inch respectively.

PRICE RECEIVED FOR GOLD

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 was based on taxable income before deduction of redemption allowance, and any tax loss brought forward from a previous year. As from January 1, 1942, the amount payable had been raised from 16 per cent. to 20 per cent., while as from the beginning of the current year there had been a further increase to 22½ per cent. In 1941 a tax of 5 per cent. on dividends on non-resident shareholders had been introduced, and since the close of the company's financial year it had been increased to 7½ per cent.

During the latter part of the year operations at the mine had been hampered by a serious shortage of native labour. Difficulties had also been experienced throughout the year in obtaining adequate supplies

of essential materials, and every effort had been made to effect economies and conserve existing stocks. In that connection and in order 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 of the Chamber.

In order to conserve paper stocks, the report of the proceedings at the meeting would not be circulated to shareholders. Copies of the report 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. In addition, the mine had continued to carry out its share of munitions production.

The report and accounts were adopted.

THE INDUSTRIAL AND GENERAL TRUST LIMITED

DIVIDEND AGAIN 12 PER CENT.

The fifty-fifth ordinary general meeting of The Industrial and General Trust, Limited, was held, on the 24th instant, in London.

Mr. W. Sandford Poole (the chairman) said that last year he had stated that the outbreak of hostilities in the Far East would undoubtedly adversely affect their revenue. The accounts submitted showed a reduction of £26,759 in the gross income of the past year. Apart from the adverse effects of the war in the Pacific, the normal revenue of the year had been more than maintained. The revenue, after providing for taxation, was £265,264 as compared with £275,637 in 1941-2. The preference dividend was covered over 4½ times and they were able to maintain the ordinary dividend at 12 per cent. as in the past

five years and to increase the amount carried forward by £26,542. With the immediate and post-war outlook so uncertain, the substantial carry-forward of £184,746 was a useful revenue reserve.

The result of a valuation showed that the £8,025,000 at which the investments stood in the balance sheet was represented with a satisfactory margin. In other words, not only their capital but their reserve of £1,850,000 and their carry-forward were, on the basis of the valuation, intact, with a margin.

Dealing with South American interests, he said it was to be hoped that the Brazilian Government would move much further towards meeting the terms upon which the various loans had been subscribed, chiefly in this country and the United States. With regard to the Argentine, Britain was, in fact, now fighting her battles without her help. It seemed to him that the British public had reason to expect much more benevolent treatment from a country for which the British had done so much when she was growing up.

The report was unanimously adopted.

(Continued from page 699)

ment; and (4) the recommendation of the Forster Committee on the Recruitment of Juveniles that national minimum wage rates should be fixed for juvenile workers, and that the scale should be determined under the machinery of the National Conciliation Scheme. In the light of these circumstances, the Board of Investigation has modified the 1940 agreement to make it possible for the National Conciliation Board during the currency of that agreement to entertain requests by either side for dealing with any element in the wage structure of the industry on a national basis. It is pointed out, however, that questions raised by either party about the interpretation of the 1940 agreement in its modified form shall be dealt with as follows: (a) A question which relates exclusively to those provisions which are concerned with district wage arrangements shall be dealt with by the District Referee but subject to the provisions governing the transfer of district questions to the National Board; and (b) all other questions shall be dealt with by the National Tribunal.

Air Ministry Works

It is a pity that the time-lag between the publication of the Comptroller and Auditor-General's report on the Appropriation Accounts, and the expenditure which is the subject of his examination, prevents comment in the press or in Parliament at the time. As it is, the damage has been done, and the chief value of the report lies in its indication of the need for constant vigilance over the Service departments' expenditure. The most serious criticism arising from the Report on the 1941 Air Services Appropriation Account is that of excessive expenditure incurred in connection with the provision of landing facilities at a requisitioned airfield. As a result of modifications in the original scheme, owing to changing operational requirements and the use of heavy bombers, and of the labour and transport difficulties due to the nature and location of the site, the work of extending the existing runways, for which the sum of £60,000 was sanctioned by the Treasury in August, 1940, finally worked out at a cost of £832,000, nearly fourteen times the original estimate. The great part of the construction was executed on a target cost basis, which emphasises the disadvantages of this method of contract. It is therefore satisfactory to learn from the report that the fixed price contract has largely superseded the target cost system in the Air Ministry's major works. The bulk of the Ministry's construction programme is presumably completed by now, but additional works in the way of extensions and adaptations, especially to meet the needs of the United States Army Air Corps, will still be necessary.

Pork in Quantity

Butchers have had an inordinate amount of pork, especially in London, during the last month. About 40 per

cent of London supplies have been pork, and there have been many complaints. The other meat is quickly bought, and customers then have no choice. They complain that they cannot eat it, that they are tired of it, and, above all, since it is more expensive than beef or mutton, that they get less meat on their ration. The reason for the appearance of pork is that it is surplus at this season in the United States, and large quantities have reached this country. Had it been possible to distribute it more evenly over the country (some districts have had none of it) it would have been less noticeable, and the complaints fewer. Since the price of pork is relatively high, less shipping space is needed to honour the ration. All complaints about the meat ration boil down to transport. Some areas only get home-killed meat, and consequently less weight. Others get only imported meat, and the complaint is that they have to be content with meat of poorer quality. The basis of the content with meat of poorer quality. The basis of the complaint probably not altogether avoidable, since internal transport has to be conserved. In this case, the pork would have been gladly accepted had the reason for its bountifulness been given.

Bismuth Control

The United States War Production Board has introduced an allocation system for bismuth, a move which suggests that stricter control measures may also be pending in this country. In normal times the bulk of the world's bismuth goes into medicines, pigments for the ceramics industry and some low-melting alloys. To-day, there is only just enough bismuth available to meet essential war needs. Bismuth has some special properties which make it indispensable for certain uses in armament production. These properties include, besides the low-melting point, the tendency to expand on cooling and the diamagnetic character of bismuth. Bismuth is, in fact, the most diamagnetic substance known and is repelled by a magnet. To-day it is largely employed as solder for munitions, for making patterns in aircraft manufacture, for centring machine-tool bearings, as nozzles for automatic sprinklers and as contact point in electric fire alarms. Molten bismuth alloy is frequently employed for testing vital tubing in aeroplanes, tanks and ships. When poured into tubing the alloy squeezes through any possible holes and on cooling it splits open weak seams in the tubing owing to its expansion. As the great bulk of the bismuth is recovered as by-product in the smelting of lead, copper and other non-ferrous as well as precious metals, exact production figures are not available. In 1940, world production was estimated by the US Bureau of Mines at about 3,000,000 lbs., but it may be somewhat larger now. The United States, Mexico, Peru and Canada are producing the bulk of world supplies, but some bismuth is also produced in Europe, including Spain, Yugoslavia, Belgium, Germany and France. European production, however, covers only a minor part of the European demand, which before the war used to absorb about one-half of world supplies.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

DESPITE the further contraction in turnover, which according to the bargains received has reached virtually the lowest level this year, the undertone in the markets remains quietly firm. The outstanding development of the week has been the rally in the Funds. Both short and long dated issues have participated in the advance which has in general eliminated the recent falls, although the volume of business in the gilt edged market does not seem to have experienced any corresponding improvement. In the foreign bond market, Chilean loans failed to hold an earlier advance on the renewal of the copper contract with the United States. Similarly, Japanese issues reacted slightly after a minor improvement. Absence of support for the prior charges in the home rail market led to a general easing of prices. In particular, the GW 4 per cent debenture fell 1½ points. Junior issues were fairly steady, after a minor recession at the reopening. A slightly easier tendency among Argentine issues in the foreign rail market was accentuated in midweek by the proposal of BA Western to extend the moratorium on interest payments. Senior charges lost up to 3 points, with correspondingly smaller falls for equity stocks.

Small mixed movements predominated in the industrial market. Changes among brewery shares, apart from a rise of 1s. for Taylor Walker, were downward. Tobacco shares, however, were steady. Heavy industrial shares failed to attract attention, and small declines were plentiful. Exceptionally, Carlton Main fell 3s. on the year's lower profit and dividend. Motor and aircraft issues were dull, with occasional losses seldom exceeding 6d. Shipping shares were idle. Minor improvements were scattered throughout the textile section, although Fine Spinners ordin-

ary weakened on the years' results. The preliminary statement of Dunlop occasioned a fall of 1s. for that stock, and in a dull dollar group, Brazilian Traction lost ½ point.

Some investment demand in the kaffir market for the June dividend paying issues relieved the general quietness. Interest in diamond shares was mainly confined to De Beers, the deferred rising 1½ points. Rubber issues were idle, and occasional movements ranging from 6d. to 1s. in the tea market displayed no definite trend. Leading issues in the oil market were firm. Both Anglo-Ecuadorian and VOC improved on the maintenance of the year's dividends. Ultramar, however, weakened on the development report.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
May 20.....	4,090	2,494	99.3	135.1
" 21.....	4,144	2,804	99.3	135.0
" 24.....	4,828	Whit M.	99.3	135.0
" 25.....	4,364	3,380	99.2	135.0
" 26.....	4,242	2,802	99.2	135.0

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 99.7 (May 11), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

New York

LABOUR disputes and the tax controversy continued to exert persistent restrictive pressure on trading throughout last week on Wall Street. Sporadic buying occasioned by the satisfactory war news failed to stem the downward tendency of quotations until midweek, when a sharp rally raised industrial and rail leaders to peak levels for the past two years.

Total share dealings: May 20, 1,299,000; May 21, 922,000; May 22*, 433,000; May 23, 790,000; May 24, 889,000; May 25, 1,322,000.

* Two-hour session only.

COMMODITY AND INDUSTRY NEWS

Fire Wastage.—Speaking to aircraft workers recently, the Minister of Aircraft Production dealt with the waste caused by fires which could be avoided. The outbreak of fires in this country amounts to about 1,000 a day, and the majority are caused by carelessness. If only one in a million cigarette ends resulted in a fire, there would be 200 a day from this cause. Loss by fire exceeds the money value, monthly, of 400 Spitfires, or 100 twin-engine bombers, three destroyers, or 20 corvettes, as well as the loss of actual material and time.

Directorate of Woodworking.—By arrangement with the Ministry of Production and the Departments concerned, and in order to co-ordinate demands for woodworking and to utilise to the best advantage the facilities of the industry, it has been decided to establish a Directorate of Woodworking under the Director-General of Equipment and Stores in the Ministry of Supply. The Directorate, of which the director is Mr R. H. Hall, and the deputy director Mr H. Freeman, will make arrangements for the allocation of capacity for the fabrication of all woodworking requirements for all Government departments, except those for the specialised

needs of certain Ministries, such as for aircraft components and ships' fittings. The primary object of the Directorate will be to ensure the most economical use of labour, plant and premises, and the director will be assisted by an advisory trade panel.

Scottish and Swedish Co-operation.—The sales of the Scottish Co-operative Wholesale Society for the past year were £34,539,715, an increase of £2,364,071, which, excluding purchase tax, represents 7.6 per cent. The output of the Society's own productive works was £10,995,233, an increase of 12 per cent. The surplus totalled £1,122,629. The Society, jointly with the Co-operative Wholesale Society of Sweden, is controlling the British Luma Co-operative Electric Lamp Society, Ltd., of Glasgow. This has a capital of £139,200, and last year made a deficit of £2,311 on a production of £51,045 on sales through co-operative societies in Britain.

Cotton for Senegal.—Facilities for the supply of cotton fabrics from this country to Senegal have now been arranged. Supplies will come from firms who normally export to the French and British West African markets, and for the time being will be strictly confined to stocks. Goods will be consigned to Senegal through the

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

	1943		May 5, 1943	May 12, 1943	May 19, 1943
	Low Jan. 6	High May 19			
347 Industrials.....	81.1	97.2	96.9	96.7	97.2
32 Rails.....	72.6	98.5(b)	98.5	96.1	97.1
40 Utilities.....	67.9	83.9(a)	83.8	83.9	83.9
419 Stocks.....	78.5	95.1	94.9	94.7	95.1
Av. yield %*.....	5.36	4.55(b)	4.55	4.56	4.57

(a) May 12. (b) May 5. * 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS

May 13	May 14	May 15	May 17	May 18	May 19
117.3	116.5	116.7	116.5	117.6	118.7

1943: High, 119.0, May 10; Low, 99.5, Jan. 2.

Capital Issues

Week ending May 29, 1943	Nominal Capital £	Conversions £	New Money £
Particulars of Government issues appear on page 706.			
Year†	Including Conversions	Excluding Conversions	
1943.....	748,474,404	733,125,320	
1942.....	731,329,141	727,327,082	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1943.....	731,110,958	1,375,685	638,677
1942.....	727,090,286	199,308	37,488

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Pref.	Ord.
1943.....	725,910,493	659,837	6,554,990
1942.....	721,490,741	478,788	5,357,553

† Includes Government issues to May 18, 1943, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Commercial Union Assurance Company.—The £415,459 outstanding West of Scotland 5 per cent debenture stock will be repaid at 105 on January 1, 1944.

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

	May 20, 1943	May 21, 1943	May 24, 1943	May 25, 1943	May 26, 1943
Crops.....	117.5	117.5	117.6	117.6	117.8
Raw materials.....	182.3	182.3	182.3	182.3	182.3
Complete Index.....	146.4	146.4	146.5	146.5	146.6
	Mar. 31, 1937*	Aug. 31, 1939	May 26, 1942	April 27, 1943	May 19, 1943
Crops.....	147.9	92.2	115.7	117.6	117.7
Raw materials.....	207.3	122.9	172.7	182.3	182.3
Complete Index.....	175.1	106.4	141.3	146.5	146.6

* Highest level reached during 1932-37 recovery.

Finance

GOVERNMENT RETURNS

For the week ended May 22, 1943, total ordinary revenue was £35,230,000, against ordinary expenditure of £106,545,000, and issues to sinking funds of £110,000. Thus, including sinking fund allocations of £1,218,077, the deficit accrued since April 1st is £514,439,000 against £411,588,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to May 23, 1942	April 1 to May 22, 1943	Week ended May 22, 1942	Week ended May 22, 1943
ORDINARY REVENUE				
Income Tax	85,348	96,729	9,414	10,672
Sur-tax	5,900	5,912	320	410
Estate, etc.				
Duties	15,886	14,536	1,616	1,876
Stamps	1,730	1,390	869	800
N.D.C.	3,593	2,733	430	310
E.P.T.	30,860	50,512	4,490	6,201
Other Inland Rev.	150	100	20	10
Total Inland Rev.	143,467	171,912	17,150	20,279
Customs	65,048	75,380	9,369	10,832
Excise	51,700	57,500	2,900	3,200
Total Customs & Excise	116,748	132,880	12,269	14,032
Motor Duties	2,928	1,617	...	...
Canadian Govt. Contribution	40,449	...	8,989	...
Post Office (Net Receipts)	7,250	3,250	600	200
Wireless Licences	270	300	...	...
Crown Lands	160	140	...	...
Sundry Loans	488	748	...	...
Miscell. Receipts	11,230	9,411	1,111	719
Total Ord. Rev.	322,990	320,259	40,119	35,230
SELF-BALANCING P.O. & BROADCASTING	11,950	13,400	1,750	1,800
Total	334,940	333,659	41,869	37,030

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to May 23, 1942	April 1 to May 22, 1943	Week ended May 22, 1942	Week ended May 22, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	56,221	58,097	1,291	1,065
Payments to N. Ireland	653	671	...	...
Other Cons. Fund Services	347	267	69	...
Total	57,221	59,035	1,360	1,065
Supply Services	676,375	774,445	91,660	105,480
Total Ord. Exp.	733,596	833,480	93,020	106,545
SELF-BALANCING P.O. & BROADCASTING	11,950	13,400	1,750	1,800
Total	745,546	846,880	94,770	108,345

After decreasing Exchequer balances by £4,534 to £2,655,755, the other operations for the week (no longer shown separately) raised the gross National Debt by £71,720,875 to £17,378 million.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 21st and May 27th. (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) T.T. 16-85-95, bank notes at Bank of England 17-40 kr. **Dutch West Indies.** Florin (12.12) 7-58-62. **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** 94-02-04; mail transfers 4-02-04. **Brazil.** 63-64½ cr. (buying). **Uruguay.** 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Office. **Spain.** Peseta 40-50 (Official rate). **Turkey.** Piastre 520. **Italy.** 71-25 lire.

NET ISSUES (£ thousands)	
P.O. and Telegraph	400
Overseas Trade Guarantees	100
	300

FLOATING DEBT

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1942					
May 23	975-0		Not available		
Feb. 20	990-0				
" 27	980-0	1829-7	230-1	24-7	1000-5
Mar. 6	975-0		Not available		
" 13	975-0				
" 20	975-0				
" 31	2838-9		282-5	6-5	969-0
Apr. 3	975-0				
" 10	975-0		Not available		
" 17	980-0				
" 24	990-0	1867-2	203-8		1043-5
May 1	1005-0		Not available		
" 8	1020-0				
" 15	1035-0				
" 22	1050-0				

TREASURY BILLS

Date of Tender	Amount		Average Rate of Allotment	Per Cent Allotted at Min. Rate
	Offered	Applied for		
1942				
May 22	75-0	143-9	75-0	20-0-78
1943				
Feb. 26	75-0	172-8	75-0	19-11-86
Mar. 5	75-0	161-7	75-0	19-11-68
" 12	75-0	164-5	75-0	20-0-29
" 19	75-0	169-9	75-0	20-0-58
" 26	75-0	157-4	75-0	20-1-82
Apr. 2	75-0	150-6	75-0	20-2-39
" 9	80-0	164-3	80-0	20-2-57
" 16	85-0	159-2	85-0	20-2-77
" 23	90-0	153-1	90-0	20-2-85
" 30	90-0	167-0	90-0	20-2-43
May 7	90-0	179-0	90-0	20-0-39
" 14	90-0	154-7	90-0	20-0-44
" 21	90-0	157-2	90-0	20-0-46

On May 21st applications at £99 14s. 11d. per cent for bills to be paid for on Monday, Tuesday, Wednesday, Thursday and Friday of following week were accepted as to about 44 per cent of the amount applied for, and applications at higher prices in full. There were no applications for Saturday. £90 millions of Treasury Bills are being offered for May 28th. For the week ending May 29th, the banks will be asked for Treasury deposits to the 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	
	1942	1943	1942	1943	1942	1943	1942	1943
Apr. 13	6,434	3,170	21,885	19,581				
" 20	6,933	3,128	9,595	13,775				
" 27	5,221	1,531	4,000	6,391				
May 4	5,450	1,945	7,619	12,506				
" 11	7,146	3,830	16,581	22,964				
" 18	9,702	5,610	16,450	26,573				
" 25	...	...	17,875	22,027				
Totals to date	803,201	576,732	121,693	133,723				

* 182 weeks. † 125 weeks. ‡ 26 weeks. || Including all Series.

Interest free loans received by the Treasury up to May 25th amounted to a total value of £56,659,670. Up to Apr. 24th, principal of Savings Certificates to the amount of £103,272,000 has been repaid.

BANK OF ENGLAND RETURNS

MAY 26, 1943

ISSUE DEPARTMENT

Notes Issued:		
In Circulation	944,970,552	11,015,100
In Bankg. Department	55,271,166	988,112,994
		859,894
		12,012
Govt. Debt	11,015,100	
Other Govt.	988,112,994	
Securities	859,894	
Other Secs.	12,012	
Silver Coin		
Amt. of Fid. Issue	1,000,000,000	
Gold Coin & Bullion (at 168s. per oz. fine)	241,718	
	1,000,241,718	1,000,241,718

BANKING DEPARTMENT

Props. Capital	14,553,000	Govt. Secs.	171,037,838
Res.	3,202,412	Other Secs.	...
Public Depts.	3,248,652	Discounts & Advances	4,607,306
		Securities	14,241,259
Other Depts.	174,066,736		
Banks	50,968,753		
Other Accts.	123,097,983		
		Notes	18,850,565
		Gold & Silver Coin	55,271,166
			879,984
	225,035,489		246,039,553

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

COMPARATIVE ANALYSIS

	1942				1943			
	May 27	May 12	May 19	May 26	May 27	May 12	May 19	May 26
Issue Dept.								
Notes in circulation	788-6	951-6	947-3	945-6				
Notes in banking department	41-6	48-7	52-9	55-3				
Government debt and securities	828-1	999-0	999-2	999-1				
Other securities	1-9	1-0	0-8	0-9				
Silver Coin	0-0	0-0	0-0	0-0				
Gold, valued at s. per fine oz.	168-00	168-00	168-00	168-00				
Deposits								
Govt.	7-6	20-7	18-4	3-2				
Bankers'	146-6	140-1	140-7	174-1				
Others	47-8	54-2	51-1	51-0				
Total	202-0	215-0	210-2	228-3				
Banking Dept. Secs.								
Govt.	150-0	161-8	153-7	171-0				
Discounts, etc.	6-6	4-5	4-3	4-6				
Other	20-5	16-9	16-0	14-2				
Total	177-1	183-2	174-0	189-8				
Banking depart. res.	42-8	49-5	53-8	56-2				
" Proportion"	21-1	23-0	25-5	24-5				

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue raised from £950 million to £1,000 million on April 13, 1943.

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 d.	Two Months d.
May 20	23½	23½
" 21	23½	23½
" 24	23½	23½
" 25	23½	23½
" 26	23½	23½

The New York market price of fine silver remained at 44½ cents per ounce throughout the week.

1½%; 4 months, 1½-1¾%; 6 months, 1½-1¾%. Treasury Bills: 2 months, 1-1½%; 3 months, 1-1½%. Day-to-day money, 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	May 19	May 20	May 21	May 22	May 24	May 25
Cables						
London	402½	402½	402½	402½	402½	402½
Montreal	90-125	90-180	90-180	90-180	90-180	90-180
Zurich	23-33	23-33	23-33	23-33	23-33	23-33
B. Aires	25-10	25-10	25-10	25-10	25-10	25-10
Rio	5-18	5-18	5-18	5-18	5-18	5-18

* Official buying rate 29-78. † Free rate 37-00. ‡ Bid.

PROVINCIAL BANK CLEARINGS

& thousands

	Week Ended		Aggregate from Jan. 1 to	
	May 23, 1942	May 22, 1943	May 23, 1942	May 22, 1943
Working days	6	6	121	120
Birmingham	2,381	2,176	52,666	51,888
Bradford	1,606	988	46,327	40,976
Bristol	2,819	642	48,914	14,436
Hull	552	372	16,676	13,174
Leeds	765	745	18,212	18,551
Leicester	728	819	23,839	25,307
Liverpool	4,085	4,431	98,912	93,935
Manchester	11,342	10,886	255,163	255,307
Newcastle	1,213	1,711	32,598	31,518
Nottingham	226	421	10,043	10,389
Sheffield	712	744	18,851	20,327
Southampton	88	140	2,581	2,941
12 Towns	26,517	24,075	624,660	577,881
Dublin*	5,722	5,934	138,104	145,468

* May 16, 1942, and May 15, 1943.

OVERSEAS BANK RETURNS

U.S. FEDERAL RESERVE

12 U.S.F.R. BANKS					
RESOURCES	May 21, 1942	May 6, 1943	May 13, 1943	May 13, 1943	May 30, 1943
Gold certifs. on hand and due from Treasury	20,508	20,256	20,235	20,235	20,235
Total reserve	20,822	20,655	20,637	20,634	20,634
Total cash reserves	299	352	355	365	365
Total U.S. Govt. secs.	2,445	6,531	6,172	6,038	6,038
Total bills and secs.	2,461	6,560	6,211	6,061	6,061
Total resources	24,530	28,948	28,544	28,496	28,496
LIABILITIES					
F.R. notes in circulation	8,916	13,158	13,200	13,255	13,255
Excess mar. bank res.	2,570	2,150	1,730	1,640	1,640
Mr. bank res. dep.	12,486	11,090	11,805	11,882	11,882
Govt. deposits	304	722	630	379	379
Total deposits	14,217	14,099	13,707	13,568	13,568
Total liabilities	24,530	28,948	28,544	28,496	28,496
Reserve ratio	90.0	75.8	76.7	77.0	77.0
BANK AND TREASURY RESERVE RATIO					
Monetary and stock	22,709	22,743	22,554	22,451	22,451
Treasury & bank currency	3,299	4,014	4,044	4,045	4,045
LIABILITIES					
Money in circulation	11,888	16,683	16,741	16,799	16,799
Treasury cash and dep.	2,492	2,967	2,862	2,862	2,862

TABLE I

465 FIRST QUARTER COMPANIES' GROSS PROFITS —
REPORTING PERIODS NEW BASIS (IN £'000'S)

	(All figures gross)							
	Year 3 Preceding (1940)	Year 2 Preceding (1941)	Year 1 Preceding (1942)	Latest Year (1943)	Year 3 Preceding (1940)	Year 2 Preceding (1941)	Year 1 Preceding (1942)	Latest Year (1943)
All interest	6,122	7,171	6,033	7,272	5,932	7,272	5,743	7,270
Preference divs.	13,378	15,771	14,194	17,171	13,667	16,771	13,851	17,070
Equity divs.	50,639	59,270	50,720	60,972	48,265	59,270	45,752	56,171
Sub-total	70,139	82,171	70,947	85,215	67,864	83,113	65,346	80,171
Free reserves and net carry forward	12,909	15,771	10,426	12,671	11,874	14,571	14,148	17,370
Other savings*	2,471	2,970	1,869	2,271	1,962	2,471	2,100	2,670
Profits before tax, after E.P.T.	86,519	100,912	83,242	100,156	81,700	100,156	81,594	100,156
Per cent of Year 3 preceding	100.0	97.3	95.5	95.4	100.0	97.3	95.5	95.4
Rate of tax applied in grossing up	7/-	8/6	10/-	10/-	7/-	8/6	10/-	10/-

* Redemption funds, deferred repairs, etc. (grossed up at corresponding rates of tax).

TABLE II

GROSS PROFITS NEW BASIS
BY ACCOUNTING PERIODS
(In £'000's)

Accounting Date Falling in	No. of Cos.	1938	1939	1940	1941	1942	1943
1st Quarter	605	66,409	62,663	65,588	59,735	61,764	6,669
2nd Quarter	425	39,068	39,151	38,025	39,491	37,499	...
3rd Quarter	369	44,744	43,630	44,192	41,184	37,570	...
4th Quarter	918	151,000	156,895	148,836	152,730	63,794	...
Whole Year	2,317	301,221	301,676	296,641	293,140	200,627	6,669

THE ECONOMIST PROFIT FIGURES.

The defects of company accounts and the complications of income-tax make it impossible to present statistics of profits in a simple, standardised form. The following definitions may assist the reader:—

(a) **Gross and Net Profits.**—Gross profits are profits before payment of standard income-tax (but after such other taxes as EPT and NDC). Net profits are profits after tax. In many cases, figures of gross profits can be calculated only by adding back what appear to be the appropriate amounts of tax to the net figures published.

(b) **Accounting Period and Reporting Period.**—Company reports are published some time after the end of the period in which the profits were earned. The figures can be grouped by the quarter in which they are published (i.e., by the reporting period) or by the quarter in which the company's financial year ends (i.e., by the accounting period).

(c) **Old Basis and New Basis.**—On the old basis the net profit consisted of preference and ordinary dividends as published, whether gross or net, plus actual allocations to free reserves. Total profit was the largest figure of the profit and loss account, excluding capital profits and transfers from reserves. The figure was struck before depreciation if that was disclosed. On the new basis no net profit figure is provided. It can be obtained by deducting from the gross the appropriate rate of tax. The gross profit is the gross total of interest and dividends plus additions to free reserves and other savings, both grossed up at the stated rate of tax.

TABLE III

INDEX OF GROSS PROFITS, BY ACCOUNTING PERIODS
(Four Quarters; 1938 = 100. Geometric Basis)
Based on Table II

	Accounting Period ended in			
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
1939	98.6	98.7	98.0	99.0
1940	101.6	100.8	101.7	99.4
1941	96.0	97.7	95.6	99.8
1942	100.9	100.1	101.6*	101.7*

* Provisional.

TABLE IV
INDEX OF NET REPORTED PROFITS, OLD BASIS,
BY DATES OF PUBLICATION
(Revised Geometric Basis)
(Four Quarters ended June; 1936 = 100)

	Accounting Period ended in			
	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	93.1
1943	93.8	...	...	...

TABLE V

DISTRIBUTION OF PROFITS AND RETURN UPON CAPITAL*

	Proportion of Gross Profits			Rate of Payment (Gross)			
	Prof. Div.	Ord. Div.	To Free Reserves	Deb.	Prof.	Earned on Ord.	Paid on Ord.
1941	17.7	73.1	9.2	4.5	6.1	16.3	14.5
1st quarter	23.4	65.9	10.7	4.6	6.8	10.6	9.0
2nd "	25.7	65.0	9.3	4.5	6.9	12.1	10.6
3rd "	29.5	54.1	16.4	4.6	6.4	10.9	8.4
4th "	23.4	65.5	11.1	4.5	6.6	12.4	10.6
Whole Year	23.4	65.5	11.1	4.5	6.6	12.4	10.6
1942	19.9	71.3	8.8	4.2	6.9	17.0	15.1
1st quarter	23.8	63.4	12.8	4.3	5.9	9.9	8.3
2nd "	...	...	...	...	...	...	...
NEW BASIS	17.6	63.8	18.6	4.7	6.0	17.3	13.4
1st quarter	21.3	54.6	24.1	4.6	6.0	11.6	8.6
2nd "	20.8	59.5	19.7	4.8	6.3	12.0	10.0
3rd "	25.6	50.0	24.4	4.9	6.4	14.1	9.4
4th "	20.9	56.8	22.3	4.7	6.2	13.9	10.0
Whole Year	20.9	56.8	22.3	4.7	6.2	13.9	10.0
1943	18.3	60.3	21.4	4.7	6.2	18.5	13.3

* Original 1941-42 figures based on adjusted net profits old basis. Subsequent figures on gross profits, new basis, as given in Table I.

TABLE VI

PROFITS BY INDUSTRIAL GROUPS

Group	No. of Cos.	Computed Gross Profits (£'000) New Basis		Reported Net Profits (£'000) Old Basis	
		Preceding Year	Latest Year	Preceding Year	Latest Year
Financial, Land	35	3,151	3,207	1,663	1,777
Inv. Trusts	75	6,683	6,589	1,296	1,274
Canals and Docks	1	72	80	32	39
Elcc. Supply	4	1,793	1,805	852	857
Hotels and Restaurants	4	256	386	92	127
Newspapers	15	1,982	2,092	1,088	1,202
Shipping	10	1,220	1,208	659	572
Telegraphs and Telephones	3	417	325	154	171
Tramway and Omnibus	9	1,359	1,150	1,000	918
Warehousing	12	1,028	901	659	595
Waterworks	7	648	704	444	487
Entertainments	7	505	407	215	185
Oil	4	420	332	305	303
Rubber	44	534	68	Dr. 130	Dr. 130
Tea	9	65	68	42	59
Breweries	9	1,798	2,057	1,146	1,187
Food and Confectionery	20	2,129	2,410	1,414	1,507
Shops and Stores	27	7,705	7,673	4,885	4,600
Textiles	32	6,389	6,618	3,159	3,323
Tobacco	6	23,568	21,626	12,646	11,693
Building Materials	13	1,300	1,306	838	816
Electrical Equipment	5	3,002	3,128	1,768	1,840
Coal	17	1,009	1,015	520	531
Iron and Steel	5	5,306	5,972	2,852	3,083
Motors and Cycles	3	1,349	1,485	706	789
Shipbuilding	3	954	1,103	512	593
Engineering	17	1,019	1,322	414	513
Other Companies	70	6,039	6,634	3,579	3,872
Totals	465	81,700	81,594	43,303	42,767

* The fact that the net loss in the latest year is greater than the gross is explained by the inclusion of certain reserves out of profits for assets in Far East. The net figure excludes these sums.

COMPANY RESULTS (May 12, 1943, to May 26, 1943)

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.
Rubber													
Golconda Malay Rubber	Dec. 31	£ 526	£	Dr. 1,496	£ 1,019	£	£	£	£	£	19,056	5,614	Nil
Hollywood Rubber	Dec. 31	3,541	...	Dr. 2,814	4,843	...	...	...	...	£	21,851	5,749	Nil
Hongkong (Selangor) Rubber	Dec. 31	2,851	...	1,187	10,359	...	...	...	...	£	28,641	11,106	40
Inch Kenneth Kasang Rubber	Dec. 31	452	...	Dr. 318	14,590	...	...	...	...	£	10,563	2,967	Nil
Kombok (F.M.S.) Rubber	Dec. 31	Dr. 687	...	Dr. 687	6,135	...	...	...	...	£	15,178	Dr. 3,333	Nil
Madingley (Malay) Rubber	Feb. 28	93	...	Dr. 858	2,168	...	...	...	...	£	3,193	1,922	Nil
Rubber Estates of Krian	Dec. 31	2,189	...	Dr. 1,755	1,481	...	...	...	...	£	14,778	1,518	Nil
Sampang (Java) Rubber	Dec. 31	424	...	Dr. 565	705	...	...	...	...	£	391	Dr. 488	Nil
Seremban Rubber	Dec. 31	701	...	Dr. 1,808	10,605	...	...	...	...	£	24,350	10,192	Nil
Sungei Salak	Dec. 31	1,254	...	Dr. 717	Dr. 1,186	...	...	...	...	£	29,858	Dr. 4,407	Nil
Textiles													
British Cotton & Wool Dyers	Mar. 31	135,380	45,977	52,737	103,149	...	38,708	5	10,000	+ 4,029	127,130	50,005	5
Trusts													
Anglo-American Debenture Corp.	Mar. 31	135,103	...	47,262	133,802	14,822	27,900	12	...	+ 4,540	137,004	55,537	12
Foreign, American & General	April 5	177,876	...	78,818	131,352	43,750	26,250	3	8,500	+ 318	176,208	77,609	3
Gresham Trust	Mar. 31	37,446	...	12,723	24,970	...	11,428	7½	10,000	+ 8,705	30,440	12,585	7½
Home and Foreign Investment	Mar. 31	74,635	...	20,096	52,675	11,719	6,300	4	...	+ 2,077	71,430	19,460	4
Industrial & General	Mar. 31	265,264	...	183,322	340,526	42,739	114,041	12	...	+ 26,542	275,637	195,264	12
Lake View Investment Trust	Mar. 31	75,488	...	42,132	121,688	8,047	28,963	9	...	+ 5,122	75,984	42,757	9
London Trust	Mar. 31	75,447	...	44,549	103,568	15,111	30,550	12	...	+ 1,112	73,258	42,106	14
Power Investment Corporation	Mar. 31	41,995	...	22,517	52,814	26,819	...	...	...	+ 4,302	41,803	21,662	Nil
River Plate Trust Loan, &c.	Dec. 31	307,732	...	187,345	308,400	75,000	110,000	14 & 4	...	+ 2,345	308,041	190,219	14 & 4
St. Andrew Trust	April 15	55,380	...	13,318	56,521	11,812	...	...	...	+ 1,506	55,842	13,713	Nil
Scottish Mortgage and Trust	Mar. 31	228,551	...	79,000	108,550	21,849	40,412	9½	15,000	+ 1,739	229,397	79,269	9½
Second Guardian Trust	May 5	40,903	...	18,021	34,065	12,812	5,125	2	...	+ 84	43,625	20,606	3
Second Mercantile Trust	May 5	50,118	...	30,453	92,824	12,760	15,333	6	...	+ 2,360	49,914	30,213	6
Third Scottish National Trust	Mar. 31	67,688	...	16,883	48,871	11,813	3,150	2	...	+ 1,920	64,619	15,486	2
Other Companies													
Alexander, Fergusson & Co.	Dec. 31	11,868	4,500	7,368	22,878	1,750	5,600	8½	...	+ 18	13,716	8,716	10½
Allied Newspapers	Dec. 31	1,053,839	...	470,087	701,008	255,000	100,000	8	100,000	+ 15,087	997,109	465,689	8
Anglo-American Telegraph	Mar. 31	262,500	...	131,249	131,249	29,125	29,125	3½ & 1½	...	...	262,500	135,187	3½ & 1½
Anglo-Ecuadorian Oilfields	June 30	245,359	...	132,521	247,462	...	37,500	5	100,000	+ 4,979	246,705	97,437	5
Associated Gas and Water	Mar. 31	172,714	...	60,310	110,360	28,800	27,161	5 & 5½	25,000	+ 20,651	166,369	61,820	5
Babcock & Wilcox	Dec. 31	741,827	...	253,443	359,152	7,726	244,363	11	...	+ 1,354	777,790	251,021	11
Blundell (John)	Jan. 31	88,646	3,155	34,791	45,393	8,625	13,125	7½	...	+ 13,041	77,994	32,144	3
Brampton Brewery	Mar. 31	82,981	...	34,829	71,004	5,500	25,000	10	...	+ 4,729	80,180	33,441	10
British-Borneo Petroleum	Mar. 31	30,542	...	25,271	50,693	...	...	...	...	+ 1,371	47,885	34,111	10
British Enka Limited	Dec. 31	139,373	48,040	66,080	444,448	...	...	...	...	+ 66,080	122,438	56,332	Nil
British Tobacco (Australia)	Oct. 31	997,740	...	957,818	1,004,408	111,188	843,474	9	...	+ 3,156	1,079,572	987,100	9
Buchanan Dewar	Mar. 31	715,295	...	715,295	835,131	161,761	550,000	27½	...	+ 3,534	730,421	730,421	28½
Canning Town Glass Works	Dec. 31	85,328	7,500	33,811	43,996	...	28,699	8	5,000	+ 112	54,778	30,527	7
Cheapside Land Development	Sept. 30	41,135	...	2,929	8,778	2,750	...	...	1,000	+ 821	40,346	1,626	Nil
Collett (J.) Limited	Mar. 31	61,965	...	29,993	36,473	...	14,719	12½	14,000	+ 1,274	69,640	32,668	12½
Colvilles Limited	Dec. 31	622,535	300,000	221,035	378,745	55,000	156,782	8	...	+ 9,253	603,196	251,696	8
Consolidated Waterworks of Rosario	Dec. 31	134,271	...	29,673	151,236	8,400	20,000	4	...	+ 1,273	129,873	23,458	3
Criterion Restaurants	Mar. 31	83,626	666	20,759	34,447	...	14,062	12½	5,000	+ 1,697	83,395	30,937	12½
Ever Ready Co (Great Britain)	Mar. 31	680,248	...	563,761	664,308	20,000	404,160	40	140,000	+ 399	660,376	553,287	40
Financial Times	Dec. 31	63,469	...	33,884	40,560	33,750	...	...	...	+ 884	63,001	28,896	Nil
Garrard Engineering	Jan. 31	22,329	...	16,364	33,397	7,550	8,125	25	...	+ 4,489	22,514	13,649	25
General Steam Navigation	Feb. 28	28,377	...	28,196	52,374	9,189	18,996	2½	...	+ 11	26,975	26,975	5½
Gieves Limited	Dec. 31	68,499	...	33,232	59,174	2,877	10,046	10	20,000	+ 309	57,765	37,520	10
Glenfield & Kennedy	Dec. 31	40,981	...	53,149	90,175	8,250	40,625	20	...	+ 4,274	68,804	53,296	20
G.R.A. White City (Manchester)	Jan. 31	91,646	...	26,990	46,342	14,940	7,245	10	15,000	+ 10,195	44,860	22,715	10
Horne Brothers	Dec. 31	91,646	...	56,581	121,120	38,500	11,250	2½	...	+ 6,831	89,126	48,988	2½
Howard & Bullough (Securities)	Mar. 31	39,889	...	39,889	40,572	7,500	31,250	5	...	+ 1,139	30,994	30,994	4
Imperial Chemical Industries	Dec. 31	6,499,859	...	6,399,859	7,265,346	1,666,104	4,032,148	8	601,595	+ 100,012	6,162,212	5,982,106	8
Inglis & Co.	May 1	53,833	...	20,465	48,583	1,350	18,418	13½†	...	+ 697	42,675	29,982	10
Jacobs (John I.) & Co.	Dec. 31	107,907	12,200	40,548	120,561	3,569	18,000	15	35,000	+ 885	95,491	48,491	15
Jay's Limited	Jan. 31	456	...	Dr. 15,690	Dr. 71,840	...	...	...	...	+ 15,690	92	Dr. 25,049	Nil
Johnson (Richard) & Nephew	Mar. 31	42,042	...	33,292	71,184	10,500	13,500	9	10,000	+ 708	42,658	13,406	9
Lewis (John) & Co.	Jan. 31	412,564	26,686	116,294	180,200	76,875	...	...	...	+ 39,419	313,162	71,438	Nil
Lewis (John) Properties	Jan. 31	152,104	...	30,029	37,773	29,250	...	...	...	+ 779	143,578	24,066	Nil
London & Thames Haven Oil Wharves	Dec. 31	120,417	10,000	42,355	156,550	10,000	...	...	...	+ 32,355	100,207	6,929	Nil
Maidenhead Brick and Tile	Sept. 30	4,494	...	Dr. 292	10,687	...	...	...	...	+ 292	2,490	Dr. 2,219	Nil
Marconi International Marine Com.	Dec. 31	612,569	76,222	94,477	119,887	...	89,454	7½	...	+ 5,023	537,475	96,406	7½
Maypole Dairy Co.	Jan. 2	368,196	17,501	99,195	401,532	53,750	43,167	4	10,000	+ 7,222	383,632	108,199	4
Monte Video Waterworks	Dec. 31	197,511	...	110,588	347,990	...	97,500	6	10,000	+ 3,088	191,103	106,330	5
Newman Industries	Dec. 31	81,587	12,655	34,182	44,226	4,620	13,000	20	10,000	+ 5,652	75,421	33,301	20
Newtown Chambers & Co.	Dec. 31	205,728	...	148,848	149,871	11,018	34,945	15	...	+ 2,885	238,376	43,606	15
Nelson (John M.) & Sons	Dec. 31	27,374	1,317	11,253	17,982	3,500	3,778	12½†	4,000	+ 25	23,227	10,127	12½
North British Rubber	Dec. 31	331,295	...	67,915	199,451	11,250	25,000	5	79,990	+ 47,425	122,001	63,514	5
Ontario Telephone, &c.	Dec. 31	52,704	...	Dr. 26,678	58,831	13,215	22,808	4	...	+ 62,701	146,012	96,279	10
Quicktch Limited	Jan. 31	7,784	...	3,784	Dr. 7,140	...	2,604	4½	2,000	+ 820	7,044	7,044	4½
Parkinson & Cowan	Dec. 31	74,259	1,681	36,423	72,778	16,937	18,147	5	...	+ 3,661	72,148	45,395	5
Platt Brothers & Co. (Holdings)	Mar. 31	106,307	...	89,932	107,429	49,469	34,338	10	8,000	+ 1,875	93,994	77,620	5
Ransomes, Sims & Jefferies	Dec. 31	107,735	...	44,985	99,609	5,500	18,750	7½	20,000	+ 735	108,151	77,401	7½
Rawlup Co.	Dec. 31	120,956	...	63,107	96,300	12,750	40,000	40	5,000	+ 5,357	112,087	61,768	40
Red & White United Transport	Dec. 31	139,978	...	63,083	193,572	10,356	27,128	11	...	+ 25,599	137,061	64,287	11
Robey & Co.	Dec. 31	82,631	8,146	11,221	23,643	3,017	3,905	5	...	+ 4,299	72,239	10,555	5
Romac Industries	Sept. 30	44,752	...	15,965	14,477	...	9,800	10	4,000	+ 165	26,243	10,555	5
Rose (L.) & Co.	Dec. 31	150,144	7,436	31,689	40,734	10,500	20,109	62½	...	+ 1,080	139,664	24,775	62½
Schwartz Limited	Dec. 31	329,725	...	162,907	218,275	35,000	...	...	30,000	+ 25,407	294,106	134,809	30
Scott's Restaurant	Dec. 31	49,931	...	13,279	34,647	1,750	2,672	17-1	15,000	+ 6,143	29,485	Dr. 3,528	12-3
Skefko Ball Bearing	Dec. 31	178,224	...	126,195	277,047	...	140,000	17½†	...	+ 13,805	172,567	170,599	17½†
Stephens (Henry C.)	Dec. 31	78,815	...	32,057	44,683	14,000	17,266	5	...	+ 791	75,458	40,179	5
United Carlo Gatti	Dec. 31	13,463	...	11,004	36,547	...	9,000	6	...	+ 4	9,517	6,618	4
V.A.B. Products	Dec. 31	23,851	...	8,038	11,464	500	4,825	12½	2,500	+ 413	11,113	3,524	7½
Vantona Textiles	Mar. 31	42,564	12,000	26,375	67,846	10,540	9,653	7	5,000	+ 1,182	34,980	21,673	7
Victoria Wine Co.	Feb. 28	85,917	...	39,208	40,700	10,000	7,500	10	...	+ 5,708	87,816	34,404	10
Walsh Condo. Co.	Dec. 31	213,152	...	63,132	152,444	6,500	41,250	55	20,000	+ 2,882	202,432	76,919	55
Whitbread & Co.	Dec. 31	309,874	...	252,667	569,062	43,407	184,392	18	...	+ 24,368	313,046	256,598	18
Wimpey (George) & Co.	Dec. 31	215,602	...	92,460	144,802	15,250	40,000	20	50,000	+ 12,790	212,856	89,820	20
Yorkshire Amalgamated Collieries	Mar												

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA, LIMITED, GROUP.

MINING COMPANIES' REPORTS (abridged) for year ended 31st December, 1942.

EAST DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,865,000 in 3,730,000 Shares of 10s. each fully paid.

Tons milled	Yield (per ton 4.89 dwts.)	277,477 ozs.
EXPENDITURE AND REVENUE ACCOUNT.		
Revenue (per ton milled 41/4.3)	£2,733,570	
Working Costs (per ton milled 22/4.2)	1,268,736	
Working Profit (per ton milled 18/9.1)	1,464,834	
Expenditure, less Sundry Revenue	2,713	
Total Profit	1,462,121	
Add:—		
Balance to credit of Appropriation Account at 31st December, 1941	128,569	
	£1,590,690	£1,590,690

No amount is payable to the Government under the Mineral Lease, due to the provision in the Lease that excess taxation over that in force when it was granted is deductible.

ORE RESERVE (Based on pay limit of 3.0 dwts.)					Tons	Stope Width (inches)	Stope Value (dwts.)	Inch-dwts.			
	1942	...	...	...	2,652,000	...	36.26	...	6.99	...	218
	1941	...	...	...	3,004,000	...	36.12	...	6.12	...	221

The above tonnage includes ore developed on the Kimberly Reef Series, which totalled 683,000 tons, average 7.63 dwts. over a width of 36.91 inches.

The above tonnage includes ore developed on the Kimberley Reef Series, which totalled 683,000 tons, average 7.63 dwts. over a width of 36.91 inches.

of 36.91 inches.									
DEVELOPMENT:									
		Footage		Percentage payable			Average reef width (inches)		Average assay value (dwts)
	Main Reef Leader	11,319	...	36.5	...	...	9.99	...	23.58
	Kimberley Reef	7,881	...	37.1	...	...	8.78	...	41.08
GENERAL. —Capital Expenditure for 1913 is estimated at £40,000, the greater portion being in connection with the additional hoist at No. 1 Shaft, the mechanical portion of which is still to be delivered.									

GENERAL.—Capital Expenditure for 1943 is estimated at £40,000, the greater portion being in connection with the additional hoist at No. 1 Shaft, the mechanical portion of which is still to be delivered.

SPRINGS MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,560,000 in 6,240,000 Shares of 5s. each, fully paid.

Tons Milled	Yield (per ton 4.95 dwts.)	471,532 ozs.
EXPENDITURE AND REVENUE ACCOUNT.		
Revenue (per ton milled 41/7.9)	£3,968,734	
Working Costs (per ton milled 21/9.2)	2,073,791	
Working Profit (per ton milled 19/10.7)	1,894,940	
Sundry Revenue, less expenditure	2,578	
Total Profit	1,897,518	
Add:—		
Balance to Credit of Appropriation Account at 31st December, 1941	206,795	
	£2,104,313	£2,104,313

ORE RESERVE (based on pay limit of 2.5 dwts.) :-											
					Tons	Stope Width (inches)	Stope Value (dwts.)	Inch-dwts.			
	1942	...	...	...	4,593,100	...	43.19	...	4.65	...	201
DEVELOPMENT	1941	...	...	...	5,869,209	...	43.66	...	4.91	...	214

Main Reef Leader	Footage	Percentage payable	Average reef width (inches)	Average assay value (dwts.)
Kimberley Reef	20,552	29.3	29.04	9.33

GENERAL.—The Joint Ore Shaft was sunk to a total depth of 272 feet below the collar, was timbered to a depth of 265 feet and have been completed. Delivery of the winders, ordered overseas, is not anticipated during the War period and arrangements Development Company, Limited, and West Springs, Limited, on the one hand and Western Reefs Exploration and Development Company, Limited, on the other hand, whereby the latter Company will loan one of its large hoists and an auxiliary hoist. These hoists are in course of erection at the Joint Ore Shaft and it is considered that sinking operations will be resumed during the second half of this year.

CAPITAL EXPENDITURE for 1943 estimated at £80,000, most of which will be incurred in connection with the Joint Ore Shaft.

WESTERN REEFS EXPLORATION & DEVELOPMENT CO., LTD.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £1,500,000. Issued £1,375,000 in 5,500,000 Shares of 5s. each, fully paid.

Tons Milled	Yield (per ton 4.71 dwts.)	213,793 ozs.
EXPENDITURE AND REVENUE ACCOUNT.		
Revenue (per ton milled 39/7.9)	£1,798,624	
Working Costs (per ton milled 22/10.7)	1,938,252	
Working Profit (per ton milled 16/9.2)	760,372	
Expenditure, less Sundry Revenue	232	
Total Profit	760,140	
Add:—		
Balance to credit of Appropriation Account 31st December, 1941	26,952	
	£787,092	£787,092

ORE RESERVE (based on pay limit of 3.0 dwts.):—										
				Tons		Stope Width (inches)	Stope Value (dwts.)		Inch-dwts.	
1942	...	...	...	2,102,000	...	56.66	...	5.99	...	339
1941	...	...	...	2,002,000	...	60.13	...	5.58	...	336

Footage	Percentage payable	Average reef width (inches)	Average assay value (dwts.)
61,452	51.5	39.82	10.98

GENERAL.—As previously announced in June, 1942, the Company accepted an offer by the Anglo American Corporation of South Africa, Ltd., to subscribe for 200,000 5s. Shares at 35s. per Share; the proceeds of this issue enabled the Company to liquidate the balance of its loan debt to the Anglo American Corporation. This issue effected an increase in the issued capital from £1,325,000 to £1,375,000.

The Company has loaned, under necessary safeguarding conditions, to Springs Mines, Ltd., and West Springs, Ltd., one of its 4 large hoists and an auxiliary hoist. The release of these will have no effect on the normal working of the Mine as the remaining hoisting capacity is more than adequate to meet maximum requirements for the next few years.

CAPITAL EXPENDITURE for 1943 estimated at £12,000.

WEST SPRINGS, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued £1,935,000 in Shares of £1 each, fully paid.

Tons milled	Yield (per ton 4.29 dwts.)	213,473 ozs.
EXPENDITURE AND REVENUE ACCOUNT.		
Revenue (per ton milled 36/1.4)	£1,795,850	
Working Costs (per ton milled 22/4.7)	1,113,348	
Working Profit (per ton milled 13/8.7)	682,502	
Expenditure, less Sundry Revenue	1,514	
Total Profit	680,988	
Add:—		
Balance to credit of Appropriation Account at 31st December, 1941	131,250	
	£812,238	£812,238

ORE RESERVE (based on pay limit of 2.5 dwts. per Ton)	Stope Width (inches)	Stope Value (dwts.)	Inch-dwts.
1942 2,451,900 ...	55.64 ...	5.05 ...	281

DEVELOPMENT.—The development accomplished was 21,239 feet. The percentage payable was 41.1, average reef width 22.76 inches, average assay value 21.30 dwts.

GENERAL.—Joint Ore Shaft was sunk to a total depth of 272 feet below the collar, was timbered to a depth of 265 feet and concreted for the top 162 feet. Delivery of the winders ordered overseas is not expected during the War period and arrangements between Springs Mines, Ltd., and West Springs, Ltd., on the one hand, and Western Reefs Exploration and Development Co., Ltd., on the other hand, have been made whereby the latter company will loan one of its large hoists and an auxiliary hoist, and it is considered that sinking operations will be resumed during the second half of this year.

CAPITAL EXPENDITURE for 1943 estimated at £15,000, most of which will be incurred in connection with the Joint Ore Shaft.

DAGGAFONTEIN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised £2,000,000. Issued £1,750,000 in 7,000,000 Shares of 5s. each, fully paid.

Tons milled	Yield (per ton 5.51 dwts.)	535,613 ozs.
EXPENDITURE AND REVENUE ACCOUNT.		
Revenue (per ton milled 46/4.7)	£1,505,927	
Working Costs (per ton milled 18/6.0)	1,736,825	
Working Profit (per ton milled 21/10.7)	2,709,102	
Sundry Revenue, less expenditure	72,608	
Total Profit	2,781,710	
Add:—		
Balance to Credit of Appropriation Account at 31st December, 1941	193,636	
	£2,975,346	£2,975,346

ORE RESERVE (based on pay limit of 2.5 dwts. per ton),	Tons.	Stope Width (inches)	Stope Value (dwts.)	Inch-dwts.
1942	3,250,000 ...	39.56 ...	6.25 ...	217
1941	3,749,000 ...	39.88 ...	6.21 ...	248

The Reserve includes ore developed on the Kimberley Reef Series, which totalled 619,000 tons, averaging 5.34 dwts. over a width of

46.60 inches.									
DEVELOPMENT.--									
		Footage	Percentage payable		Average reef width (inches)		Average assay value (dwts.)		
Main Reef Leader	...	11,127	...	57.1	...	18.85	...	20.38	
Kimberley Reef	...	327	...	40.0	...	25.75	...	9.04	

GENERAL.—The Company's holding in East Daggafontein Mines, Limited, remains unchanged at 449,892 shares. Capital Expenditure 1943 estimated at £4,000.

BRAKPAN MINES, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised and issued—£1,150,000 in 4,600,000 Shares of 5s. each, fully paid.

Tons milled	Yield (per ton 3.91 dwts.)	313,531 ozs.
EXPENDITURE AND REVENUE ACCOUNT.		
Revenue (per ton milled 32/10.4)	£2,638,737	
Working Costs (per ton milled 23/6.2)	1,884,215	
Working Profit (per ton milled 9/4.2)	750,522	
Sundry Revenue, less expenditure	116,333	
Total Profit	866,855	
Add:—		
Balance to credit of Appropriation Account at 31st December, 1941	82,358	
	£949,213	£949,213

ORE RESERVE (based on pay limit of 2.3 dwts.):—	Tons	Stope Width (inches)	Stope Value (dwts.)	Inch-dwts.
1942	5,567,000	44.68	4.75	212
1941	6,316,500	44.74	4.93	221
The Reserve amounts to 1,845,970 tons, having a stope width of 44.71 inches and a value of 4.84 dwts.				

In the Witpoort Section the Reserve amounts to 1,447,970 tons, having a value of 5.13 dwts. over an estimated stope width of 40.90 inches. The tonnage is included in the total of 5,567,000 referred to above.

DEVELOPMENT.—The development accomplished was 39,220 feet. The percentage payable was 28.1; average channel width 41.76 inches, average assay value 8.02 dwts.

GENERAL.—The Company's holding in the South African Land and Exploration Company, Limited, remains unchanged at 361,097 shares. Capital Expenditure for 1943 estimated at £2,000.

THE SOUTH AFRICAN LAND & EXPLORATION COMPANY, LIMITED.

(Incorporated in the Union of South Africa.)

CAPITAL: Authorised—£500,000. Issued—£433,125 in 2,475,000 Shares of 3s. 6d. each, fully paid.

Tons milled	Yield (per ton 5.38 dwts.)	378,721 ozs.
EXPENDITURE AND REVENUE ACCOUNT.		
Revenue (per ton milled 45/3.4)	£3,185,989	
Working Costs (per ton milled 19/2.8)	1,353,140	
Working Profit (per ton milled 26/0.8)	1,832,849	
Expenditure, less Sundry Revenue	1,226	
Total Profit	1,831,623	
Add:—		
Balance to credit of Appropriation Account at 31st December, 1941	95,430	
	£1,927,053	£1,927,053

Tons	Stope Width (inches)	Stope Value (dwts.)	Inch-dwts.
1942	3,612,300	41.93	5.87
1941	4,068,460	42.34	5.84

DEVELOPMENT.—The development accomplished was 14,794 feet. The percentage payable was 59.6, average reef width 25.67 inches, average assay value 12.22 dwts.

GENERAL.—Capital Expenditure for 1943 estimated not to exceed £1,000.

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
 Manchester Branch: 52, MOSLEY STREET
 New York Agency: 65, BROADWAY, NEW YORK CITY

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 ... £2,257,341
DEPOSITS & CREDIT BALANCES
 as at 27th Feb., 1943 ... £60,829,643

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30 BISHOPSGATE, E.C.
PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY, W.

THE UNION BANK OF AUSTRALIA

ESTABLISHED 1837.

LIMITED

Capital Authorised and Issued ... £12,000,000
Paid-up Capital ... £4,000,000
Reserve Liability of Proprietors ... £8,000,000

£12,000,000

(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 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 ... 1,770,000
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 with Australia.

J. A. CLEZY, London Manager and Secretary.

THE BANK OF AUSTRALASIA

Incorporated by Royal Charter 1835.

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

£13,500,000

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.
 Manager: G. C. COWAN.

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. Deposits received at interest for fixed periods on terms which may be ascertained on application.

NATIONAL BANK OF EGYPT

Incorporated in Egypt

Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

FULLY PAID CAPITAL - £3,000,000

RESERVE FUND - £3,000,000

London Agency:

6 & 7 King William Street, E.C.4

Branches in all the Principal Towns in EGYPT and the SUDAN

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts.)

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5206

REGISTERED AS
A NEWSPAPER

JUNE 5, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Civil Aviation - - - 713

Pacific Stalemate? - - - 714

The American Economy - 716

Ceylon's Constitution - - 725

German & Russian Food 728-729

Heavy Industry Shares - - 730

NOTES OF THE WEEK - - - 717

The Rule of Law; Farm Prices; The World's Food; The Generals—; —And the Admirals; The Donkey and the Haystacks; Town and Country Planning; Mediterranean Air Offensive; The Satellites; More Trouble in Tangier; Twice Delegated; Church Bells; Assumption B; The Coal Outlook; Shorter Notes.

AMERICAN SURVEY - - - 722

Inflation and Speculation; The Growing Crisis; The Nationalist Line; Committee Tactics; Three-Fourths Rum; Lend-Lease Summary; Shorter Notes.

THE WORLD OVERSEAS - - - 725

Ceylon's Constitution; Germany at War; Russia at War.

FINANCE AND BANKING - - - 731

Unseasonal Tightness of Credit; UDT and the Discount Market; Bombay Bans Forward Bullion Deals; Financing Expenditure; Receipts from Bills and Cheques.

INVESTMENT - - - 733

Moderate Movements; Industrial Prior Charges Weak; Outlook for Diamonds; Short Brothers Payment; Local Authority Mortgages; Dunlop Rubber and Taxation; Supplies Assured; Marks and Spencer Accounts; Court Line Dividend; Philip Hill Investment; Anglo American Investment Trust.

INDUSTRY AND TRADE - - - 736

The Diamond Monopoly; "Slaughter" Tapping; Utilisation of Coal; Clothes Ration Anniversary; Industrial Health Conference; Transport Workers' Wages; Points Changes and Soft Fruit.

COMPANY MEETINGS - - - 737

RECORDS AND STATISTICS - - - 740

Civil Aviation

AS this week's unusually animated debate in the House of Commons demonstrated, the topic of post-war civil aviation has come to the centre of the political stage. There are a number of interesting side-issues—such as whether civil aviation should continue to be the responsibility of the Air Ministry, or whether the Government should have one or more "chosen instruments" of its policy—on which Members had a great deal to say. But the urgent aspect of the matter is the impact of civil aviation on international politics. If it can arouse feeling between parties, it can also arouse feeling between nations. The original fault for the feeling of rivalry that has arisen possibly lies with the American aviation companies, whose publicity, with its talk of post-war "domination," has been calculated to excite the most alarmist reactions in other countries. But the challenge has been taken up all too eagerly in this country, and there has been considerable talk, reflected in the Parliamentary debate, of attempting to achieve Empire "solidarity" in opposition to American claims. This would be very foolish. The attitude of the American authorities—as distinct from Congressional and other orators—has been extremely moderate and reasonable, and nothing would be more likely to estrange their sympathies than caucus tactics on the part of the British

countries. However reasonable it may seem in London, any suggestion that the British Commonwealth should act as a unit, but still have six or more votes in any international gathering, will meet with resistance in Washington. There is every reason in favour of the fullest prior consultation between the various British Governments; there is every reason against prior commitment.

What, however, is to be the policy that is to be presented either to the Dominions or to the United Nations as a whole? It appeared to be the universal assumption of the House of Commons that British civil aviation would require some form of protection if it was to exist at all. For a very short period after the war, the position of British civil aviation will admittedly be difficult. But in the longer period, after the immediate difficulties of the transition have been surmounted, is there any real reason to believe that British civil aviation will not be able to survive in competition?

Some materials for the answer to this question were provided in the highly interesting lecture on "Post-War Transport Aircraft" delivered to the Royal Aeronautical Society last week by Dr Edward P. Warner, Vice-Chairman of the United States Civil Aeronautics Board. Dr Warner gave an analysis of the total costs of American

THE PROVIDENT ASSOCIATION OF LONDON, LIMITED

PROVIDENT HOUSE, 246 BISHOPSGATE, LONDON, E.C.2.

FOUNDED 1877. Authorised by Act of Parliament, Intituled Provident Association of London Act, 1910.

LIFE ASSURANCE WITH HOUSE PURCHASE PRIVILEGES. ATTRACTIVE ANNUITY RATES

TOTAL FUNDS

£15,782,775

W. W. BENHAM, Chairman.

Total Advances upon House Property to Policy-holders exceed

TWENTY-FOUR MILLIONS

J. G. SLEIGH, Managing Director.

civil air lines in the spring of 1942. The figures relate to domestic operation, but there is no reason to suppose that they would be very substantially different in an overseas context. These costs, as percentages of the total, can be roughly summarised as follows:—

Fuel and Oil	12.4
Labour and personnel	32.3
Aircraft and equipment (aircraft depreciated over five years)	8.9
Maintenance of aircraft and equipment (other than labour)	7.4
Operations expense (other than labour)	17.8
General overhead (other than wages and salaries)	16.2
Unallocated	5.0
	100.0

These figures do not lend any support to the belief that British costs must necessarily be higher. There is no reason why, on international routes, British operators should have to pay more for their petrol and oil than any others. On labour and personnel costs, which amount to a third of the total, British lines should have a distinct advantage over the Americans. As for aircraft and equipment (which, together with maintenance costs other than labour, amount to only 16.3 per cent of the total) the argument is sometimes heard that American operators on international routes, being based on a much larger domestic aviation industry than any other country, will have the advantage of the economies of mass production. But the argument does not stand up to examination. The total number of aircraft owned by all American civil aviation companies before the war was not much more than a week's present output of the American aircraft factories. Both in America and in Great Britain, the economies of aircraft construction are entirely dependent upon the size of the military air forces; the requirements of civil aviation are a very small drop in the bucket. In wartime, British factories turn out aircraft that are as good as, and very much cheaper than, those of the United States. So far as it is possible to foresee the future, military orders will be enough to support a British aircraft industry, not indeed of its present size, but large enough to reap most of the advantages to be secured from quantity production.

There consequently seems to be no reason to believe that British civil aviation will require protection against the Americans or anybody else. If this fact can be established and the present incipient inferiority complex banished, there should be no insuperable obstacle to an agreement, satisfactory to all, on the international law and practice of aviation. Undoubtedly the form of organisation that would represent theoretical perfection would be the internationalisation of all "trunk" lines, and

perhaps of all international flying. It was encouraging to discover that Mr Attlee does not rule out all possibility of such a solution, and so long as it has a chance of acceptance, it is entirely in British interests—and in those of mankind at large—to urge it. But, apart from the administrative difficulties, there is the possibility—amounting unfortunately to a probability—that the idea of international administration will not meet with favour in the United States. Without abandoning the pressure for it, the British Government should clearly have an alternative in mind. The opposite proposal is that for exclusive, or almost exclusive, "zones of influence," which has achieved favour in some quarters. It appears to be an attempt to secure for British civil aviation the benefits of protection combined with those of a wide geographical sphere of activity. Like most attempts to secure the best of both worlds, it is likely to be defeated by the opposing objections of both sets of partisans, those of national exclusiveness and those of free competition.

The proposal that appears to be emerging from responsible American discussion is that of the so-called "freedom of the air." Each nation, would be free to reserve to itself its own purely internal traffic, on the analogy of "coastwise shipping," but international traffic (i.e., traffic between ports of one nationality and those of another) would be free to all, and aircraft of all nations would be admitted, in search of this traffic, to the airports of all nations. British aircraft, for example, would be free to fly across the United States on their way to Australia; they would not be free to carry passengers between New York and San Francisco, or San Francisco and Hawaii. Before the full purport of this proposal can be grasped, one needs to know what the British unit would be. The dependent Colonies would no doubt be included with the United Kingdom. But would the Dominions? American opinion would no doubt resist any such suggestion; and so might the public opinion of at least one of the Dominions. It would probably be wiser to merge this question in the wider one of multilateral agreements in general. There would need to be some provision by which countries could enter into working arrangements with each other—for example, the British, Dutch and French lines operating between Western Europe, the Far East and Australia—and such reciprocal agreements as the United Kingdom and the Dominions desired to make would easily come under this heading. Any special arrangement for the internationalisation of European aviation would clearly be of the same general nature.

As a second-best to complete internationalisation, the principle of the freedom of the air, properly defined, holds no terrors for Great Britain. On the contrary, it would be a disaster if in aviation, which should be a world-unifying force, British policy should advocate that parcelling-out of spheres of influence which, in shipping, it has always rightly resisted.

Pacific Stalemate?

THE question has been raised in America whether or not the Japanese stand to gain by a waiting war. Those who adhere to the Switch-the-War-Over-to-Japan school of thought have at least this point in their favour, that, by all appearances, the Japanese are hoping to be given time to consolidate their position. A certain amount has been heard of the "Frederickian" phase in the European war—the organisation of a self-sufficient supply and defence position so strong that the coalition ranged against it will break down under the pressure of discouragement and of its own inherent contradictions. But this picture is probably truer of this stage of the Japanese war effort than of the more threatened and unstable Axis position in Europe. The lull in military operations is making it possible for Japan to develop a long-term plan of exploitation for the new empire in the

south. Looked at from the Tokyo angle, there seem to be unmistakable signs of friction and difficulty between the policies of the various enemy Powers. It would not be altogether fanciful to argue—from Tokyo—that each year of stalemate will strengthen Japan and weaken its enemies.

This possibility must be examined with complete honesty. If the Japanese are right, the Allies are faced with a very uncomfortable position and one which is calculated to create much bad feeling and misunderstandings among the four Great Powers. The strength of the Japanese case lies first of all in the completeness with which Japan's economic needs can now be satisfied. Apart from wool and just possibly copper, the Co-Prosperity Sphere lacks no important raw materials. There are large surpluses of sugar and rice and rubber. Pro-

longed exploitation of this area, whose full resources are only beginning to be tapped, could make the Japanese Empire the richest in the world.

Its defence position is on the whole satisfactory. By holding the enemy everywhere on the periphery—beyond the hills in Burma, beyond the barrier reefs of the China Sea, beyond the Amur river to the north, beyond the mountains in China—the Japanese have ensured that the first stages of every counter attack by land will be discouraging and difficult. Only in Russia's Maritime Provinces are there forces in a position to do immediate damage to Japan's industrial heart, and here a careful neutrality backed by a very strong concentration of Japanese troops gives some security—however temporary. Hostile airfields and an effective air supply organisation in China depend upon the reopening of the Burma Road. In a word, the Japanese have managed to give themselves a great deal of elbow room and have pushed their military outposts forward into regions which offer the enemy a very limited field of manoeuvre. Whether they meant to go further—as last year's forays into the Indian Ocean, the air attack on Ceylon and the bitter fighting in the Solomons suggest—is a question which probably turned on and was settled by Germany's 1942 offensives. There might indeed have been an attempted meeting in Aden if Hitler's Caucasian and Egyptian dreams had materialised. Today the question of a further Japanese advance is academic.

To a good economic and defensive position the Japanese hope to add divisions and disintegrations among their enemies. They are probably soberly satisfied with the difficulties facing General Chiang Kai-shek. There has been a steady worsening of the economic position in Free China since the cutting off of all outside supplies. Inflation is out of hand in some provinces and famine is reported in others. In recent weeks the Japanese army has been systematically attacking the rice-growing areas on the fringe of Free and Occupied China; their depredations must aggravate the extreme food shortage. They have also attempted a new thrust in the direction of Chungking. The Chinese armies can carry on with guerilla fighting and small attacks on limited objectives, but all the heavy equipment needed for a modernised army is lacking; and unless the Chinese receive more tangible proof of Allied aid and interest, there is the danger that many of them will, in despair, drift over to the puppet government at Nanking. One of the factors in the Japanese strategy of stalemate is moral discouragement at Chungking. The sense of elation and encouragement felt in Free China on the entry of Britain and America into the Japanese war has made the sense of subsequent disappointment over ever greater isolation all the more keen. As for the other Great Powers, the Japanese hope for a real clash of policy between America and Britain on the question of Pacific strategy. They hope too to see resentment rise, particularly in America, at Russia's neutrality in the Far East.

There is, however, another side of the picture which the American apologists of an all-out Pacific war this year leave out of account—and which the Japanese no doubt wish they could leave out of account. The fundamental economic difficulty of the Co-Prosperity Sphere is, now as ever, shipping. The experts give at least 15 million tons as the requirement for a successful exploitation of Japan's new empire. At the beginning of the war the Japanese may have had about 7 million tons, and it is estimated that over 2 million tons were sunk in 1942. Foreign experts put Japan's replacement capacity at about 600,000 tons a year, but this may have been increased by a variety of methods reported from the Co-Prosperity Sphere—the salvaging of wrecks in the harbours of Malaya and Java, the registration and mobilisation of all shipyard workers in the Philippines and Java, the building of wooden junks in the Netherland Indies. Even so, the shortage of shipping is already so great that there is a rice glut in Burma, a sugar glut in Java, and severe shortages elsewhere. At the turn of the year, the Japanese Press admitted that 12 million tons of goods were piled up in Japan awaiting shipment.

Nothing the Japanese can do can mend this deficiency for many years to come. On the contrary, it is likely to grow more acute as the steady toll of sinkings continues. Indeed, the Japanese Government has recognised this fact by launching out on a policy of decentralisation. It is now announced that industries will be built up on the fringe—in Malaya, Siam, Indo-China, the Netherlands Indies—so that the costly business of shipping raw materials to Japan and manufactures back can be avoided. This policy is connected with the new "sweetness and light" drive to persuade the other co-prosperous peoples to take an active part in the programme of industrialisation. Immediately on Japanese occupation, all local concerns were made to carry on under military control, delivering quotas fixed in the main by the army officials. Now great play is being made of establishing "genuine" Siamese, Indo-Chinese and Chinese managements. Newly-launched ventures are native-controlled—native interests owning, say, 51 per cent of the stock, the Japanese 49 per cent, the chairman a native, and the vice-president a Japanese, "with discretionary powers." These far more cumbersome methods show how strong among the conquered peoples has been the reaction against direct Japanese control. The success of the policy cannot yet be judged, but hitherto the Japanese have not been very convincing purveyors of reconciliation.

The amount the Japanese can do by way of developing an autarkic empire in the South Seas must not of course be underestimated, but it is perfectly obvious that a policy of decentralised industrialisation, hampered by an inadequate and often unwilling labour force and quite inadequate shipping resources, cannot perform miracles of self-sufficiency under five years at the very least; and even in five years, Russia, the exemplar of speedy industrialisation, had only completed one plan.

The military difficulties of the long-term policy are even greater. China's military resilience is remarkable. Even if Free China cannot strike a decisive blow against Japan, neither can Japan invade and occupy Chungking. The most recent attempt has ended, as usual, in frustration. Indeed one of Japan's chief problems is that it is impossible for the Japanese Army and Navy to win their war by a decisive blow anywhere. Even to occupy India and Australia would not end the war. A "decisive blow" northwards would involve the Japanese in endless fighting in the deplorable climatic conditions of Siberia. And so long as the Asiatic land mass remains as a potential base for the United Nations, Japan itself remains a possible and vulnerable target. Besides, the whole theory of the long-term Pacific war presupposes another stalemate—a stalemate in Europe. The real fallacy behind Japan's strategy—and the arguments of the American Pacific firsters—is that a knock-out blow is possible in Europe, and that the power which such a blow would set free will be turned immediately and relentlessly against Japan.

It is impossible to avoid the conclusion that Japan cannot, in anything under a five or ten year period of immunity, so build up its defensive position that it is virtually invulnerable. Nevertheless, there is no point in the Allies neglecting any feasible plan that will make things more difficult for Japan in the meantime. To build up a functioning economy on the fringe, the Japanese need peace and quiet. Every Allied bomb dropped on new harbours, installations, restored oil wells, new factories, is so much delay to Co-Prosperity. To hold their sprawling empire together, the Japanese must keep their sea lanes open. The toll taken by the Allied navies and air forces will go on. Free China is still the best and nearest base for the destruction of the Japanese mainland. Here and now its morale should be improved by bigger deliveries of material. It is to be hoped that this will be one of the outcomes of the Washington Conference. And the recapture of Burma should be the first priority in the Allies' Far Eastern campaign when the fighting there begins again in earnest. Such measures—bombing, sinking, reinforcing—will deprive the Japanese of their period of even relative peace and quiet, whereas their whole strategy of stalemate, if it is to be successful, demands uninterrupted ease for a good ten years to come.

The American Economy

THE domestic affairs of the United States remain in a condition of tension. Crisis, even its dilute modern meaning, is too strong a description; but there are certain tendencies, apparently gaining in strength, which leave the onlooker with some apprehension. These feelings, it should be said at the outset, and with all emphasis, do not relate, at least directly, to the American military effort. The strength of the armed forces of the republic is growing daily; the munitions programmes appear to have emerged from the difficulties of the winter and to be advancing rapidly. The time when the United States will have armed forces in larger numbers than those of any other belligerent, and with superior equipment, is only a few months off. The deployment is far advanced; the plans are matured and agreed with the other Allies; and the political adjuncts to offensive warfare, which had been so imperfectly considered at the time of the landing in North Africa, have now been thoroughly re-thought. The cutting edge of the American war effort is being lengthened and sharpened according to plan.

It is on the domestic front that the picture is less rosy. Both on the economic side of civilian life in the United States and in the political theatre, there are disturbing signs of disorganisation and impolicy, where there should be order and plan. The main issue on the economic side can be graphically presented in a very few summary figures. In the first quarter of the present year (the latest period for which figures are available in London) the total of "income payments"—that is, broadly, the stream of income passing into the pockets and the bank balances of individuals—was very nearly \$4,000 million a month more than it had been in the same months two years before. Against this, the taxation receipts of the Government were only about \$1,500 million a month greater; moreover, not all of this increase came from individuals. In other words, the individual citizens of the United States have, in the aggregate, about \$3,000 million more income, after taxation, every month than they had two years ago. Slightly more than \$1,000 million a month is being mopped up in war savings bonds, leaving the enormous amount of about \$2,000 million a month, or \$24,000 million a year—considerably more than the whole pre-war British national income—as a net addition to potential purchasing power. For every \$3 the average American had left in his pocket (after paying his taxes and his war savings) in the early months of 1941, an extremely prosperous year, he has about \$4 left now.

These figures are very approximate, but they pose the issue clearly. Only the fanatic would maintain that it is possible, in the conditions of total war, to absorb, by taxes and war savings together, 100 per cent of the extra income that is generated by the frenzied activity of war. In the United Kingdom, for example, over a similar two-year period, from 1940 to 1942, only something like 55 per cent of the increase in personal incomes has been mopped up by increases in taxation and by the so-called "small" savings; but the unabsorbed balance is of the order of only £48 million, or \$192 million, a month. The United States, with rather less than three times the population, has something like ten times the uncorralled income.

The issue of inflation has been discussed in America almost *ad nauseam*. But it is possible that the public has been left with the impression that inflation is a species of economic malady which can be cured if the right patent medicine is administered in Washington. The problem is discussed in terms of wage formulas (which Mr John L. Lewis is in the act of breaking), of price "ceilings" (which are cracking) and of the economic rights and political wrongs of a policy of subsidies—when, in fact, it is a problem of incomes. The plain truth is that no legislative or administrative mechanisms can dam up inflation, if so great a head of liquid purchasing power is allowed to press upon the dam. It has not been put to

the American people with sufficient clarity that arguments over the different methods of price-control, wage-control and rationing are pointless until the flood has been abated. The rates of taxation have been increased, and they will doubtless be increased again in this year's Tax Bill. Pay-as-you-go may also assist the revenue to catch up with the flood of income. But nothing that is now contemplated will be enough to reduce the problem to manageable dimensions.

The difficulty of controlling incomes is very great, and there are many people in the United States who are disposed in consequence to argue that a certain measure of inflation is preferable to the alternative of far-reaching and ever more intensive control. Better freedom and inflation, they say, than order and bureaucratic tyranny; let us devote our energies to fighting the war rather than to filling up forms. Unfortunately, however—and this is the point to which insufficient attention has been paid in America—"freedom and inflation" is not a formula for getting on with the war. The tremendous volume of civilian purchasing power is not exerting pressure on prices alone; it is beginning to compete with war production. The level of civilian consumption, averaged over all fields, has been reduced below the peak of 1941, but it is still higher than in any previous year. It has been supported hitherto by drafts on the very large stocks of consumption goods that had been accumulated by the spring of 1942; production for the civilian market has been cut back—severely in the field of metals—in order to permit the rise of munitions output. Now, however, the stocks are running out. If, in face of the flood of money, the supply of goods for consumption is now to fall to the level of current production, all the difficulties mentioned above will be vastly accentuated. Not without reason, this prospect is regarded with great alarm. Even in food, where rationing should be administratively easiest, there is a serious proposal from the industry to abandon completely the attempt by the Office of Price Administration to impose any restraints. And in Congress there is a move to set up an independent Office of Civilian Supply, whose duty would not be, as might be thought, to assist in the orderly but severe contraction of all unnecessary supplies, but to make certain that a larger share in the total of available resources was reserved for the civilian market. These are not examples of wrong-headedness; but they are examples of the lengths to which reasonable men are driven when incomes are insufficiently corseted.

It is apparently to deal with this problem of production that the Office of War Mobilisation, with Justice Byrnes at its head, has been set up. The OWM has been greeted as a "War Cabinet"—that is, as a body competent, under the President, to decide any of the economic problems of wartime administration. But a close reading of the announcement suggests narrower functions. The President defined Mr Byrnes' task as "to unify more closely the work of war agencies concerned with the production, procurement, transportation and distribution of military and civilian supplies, materials and products," and such matters as price control, rationing, food supply, wages and manpower do not come within the province of the new agency. In short, OWM is not very much more than the latest of the many attempts the President has made to "co-ordinate" war production. Moreover, even if the new agency were, in any sense, a "War Cabinet," a further doubt would be legitimate. What would appear to be necessary in Washington are not administrative devices but policies. On some of the more important issues, policy is within the competence of the President; but he cannot afford to forget the attitude of Congress, which has shown a disposition to overrule his administrative acts. And on the most important issue of all, taxation, policy belongs to Congress alone.

So the argument comes back, as all arguments in every country do, to politics. Americans, when challenged on the point, are apt to declare that a political truce would be impossible under their constitutional arrangements. It is difficult for the outsider to understand why this should be so, if the will to a truce were present, and it must be said that contemplation of the present state of American politics leads to the conclusion that it is the will, rather than the means, that is absent. American politics have been bitter for a decade past, and they are no less bitter today. The Administration is on the defensive; it has almost, if not quite, lost control of Congress; and the basic reason why Mr Roosevelt cannot be bold in policy is that it would almost certainly, since boldness implies severity, injure his political position. Eyes are fixed on next year's election, Mr Roosevelt's no less than anyone else's. His very proper object is to avoid a change in the Commander-in-Chief in the middle of the war—or at least such a change as would risk a reversal of policies and an administrative overturn. Unfortunately, it seems to be the case that the only candidate who both stands a chance of winning and also would follow the Roosevelt policies is Mr Roosevelt himself. He is thus

forced by inexorable pressures into a position where he is the defenceless object of charges of personal ambition. A fourth-term candidature would unleash a catalogue of abuse beside which the performance of 1940 would be insignificant. This might not hinder Mr Roosevelt's chances with the electorate. But it would immeasurably embitter the atmosphere of Washington and turn his opponents in Congress, of both parties, even more severely against him. The absence of anything in the nature of a coalition compels the President to do, for the protection of his policies, what will inevitably deepen the fissure and make a political truce still less possible.

From this dilemma, policy cannot help but be the sufferer. The world has known ever since 1919 that the constitutional system of the United States seriously reduces the influence that the country can exert in peacetime international policies. What is happening at present looks uncomfortably like a demonstration that the same cause makes it difficult for the United States to deploy in war as high a proportion of its resources as other belligerents. It is fortunate for America and the world that those resources are so gigantic that, even with such handicaps, they can tip the scales with overwhelming weight.

NOTES OF THE WEEK

The Rule of Law

It is not an offence for the Union of Post Office Workers to seek an affiliation, as it has done, to the Trades Union Congress. Nor will it be an offence for the Trades Union Congress to accept this request, as it seems disposed to do. But it will be an offence for the individual members of the UPW, as civil servants, to belong to a union thus affiliated. This is the effect of Section 5 of the Trades Disputes Act, which was passed in 1927 after the General Strike, with the object of preventing the political use of sympathetic strikes in order to coerce the Government. There can be no two opinions about the policy which the UPW and, apparently, the TUC have decided to pursue. Their deliberate defiance of the law is not mitigated by the fact that the consequences will fall, not upon them as societies, but upon individual Post Office workers who, if affiliation is completed, will be disqualified from the Civil Service establishment and deprived of their pension rights. Nor is their lawlessness lessened by the possibility, upon which perhaps they are reckoning, that the Government may not in the event be inclined to act so drastically towards individual civil servants, at a time when industrial peace and political calm are so plainly in the national interest. It is a grave pass that the affairs of the nation have reached when a body of the

weight and influence of the TUC embarks deliberately upon a career of lawlessness. It affords an evil precedent. Ever since 1927, the Trades Disputes Act has been regarded by the Labour movement as a vindictive and punitive measure. When Labour joined the Government, an attempt was made to secure its amendment by agreement with the Conservative party, but the consultations that took place for this purpose in 1941 broke down; and the Prime Minister asked the TUC not to press the point, because of the evident danger of "serious political controversy" at a "critical stage of the war." Now, it seems, the TUC has decided to resort to direct action, and to take advantage of the fact that the war is still at a critical stage, in order to obtain its way. Significantly, the attack has been directed at the weakest spot in the programme of 1927—the position of civil servants. There seems no reason, either in justice or in expediency, why civil servants should not be permitted to affiliate with outside labour organisations, provided that there are at the same time safeguards to prevent this connection from being put to political uses; and this safeguard exists in the prohibition of sympathetic or general strikes. But to say that the Act of 1927 appears worthy of amendment is not to say that either the UPW or the TUC is justified in flouting its provisions. So long as the British trade unions are pledged, as in distinction from other revolutionary labour organisations they are

Fire Damage caused by 1,000 fires a day hampers War Effort.

Half the fires in the country are caused by matches and cigarette ends.

MOST FIRES ARE CAUSED BY "CAREFUL" PEOPLE.

DON'T JUST BE CAREFUL—TAKE EXTRA CARE

pledged, to secure their aims by constitutional means, it is their duty, as it is their right, to seek the alteration of distasteful laws by the methods of argument and persuasion upon which the parliamentary process is built. It is not for them to take the law into their own hands. If they begin in this vein, with what seems some formal justification, others will not be lacking to follow without any justification at all. Law-abidingness is the cement of the British political system. And the right course of action at this stage would seem to be, first, for the UPW and TUC to withdraw their challenge; secondly, for the Prime Minister to show that, as he said a few weeks ago, he is prepared to "consider the matter further"; and, thirdly, for the Conservative party to show that, despite appearances, it is not controlled entirely by Bourbons.

* * *

Farm Prices

There is almost unanimous agreement among the many bodies and individuals that have lately made pronouncements upon agriculture that the pivot of policy must be guaranteed prices. This is a highest common factor of great significance, running as it does through the expressed views of all shades of political and technical opinion—from the farming interest proper to, it should be said, *The Economist*, which has consistently supported a policy of price guarantee for agriculture for several years. Plainly this policy should be the point of departure for the agricultural programme which the Government was not yet ready to produce when Lord Perry raised the question in the House of Lords on Thursday last week. The degree of unanimity on this particular method of procedure does not, of course, mean that there is similar agreement about the scale of British agriculture that is desirable or economic. Broadly, opinion on this issue can be divided into two categories: those who believe, like *The Economist*, that the objective of farming is to supply food; and those who believe that its object is to employ farmers—in the farmers' own interests and because of the social, as distinct from economic, consideration that the preservation of agricultural pursuits in this country as "a way of life" is, so it is said, of fundamental importance. This discrepancy of view does not necessarily emerge at this first stage of the discussion, when a policy of guaranteed prices is being given general approval by all parties. It inevitably does emerge when it becomes necessary to put figures to the prices to be guaranteed and to work out the methods of regulation by which the guarantees are to be enforced. The prices guaranteed must make it possible for efficient farmers to remain in production through good years and bad; but if food, whatever its origin, is to be given its proper priority over farmers, the prices fixed should be no more than those which would obtain on the average and over a period in a relatively free market. Any other policy must inevitably mean the restriction of the total supply of food available to and purchasable by consumers. The amount of food that can be purchased and consumed by the people of this country depends upon two factors: the price at which foreign food can be obtained, and the price at which domestic produce is sold. It is an international as well as a national question; the upshot of the Hot Springs conference will help to shape Mr Hudson's policy here at home. The crucial question, by whatever means the cost of subsidising the home price is to be raised, is the price at which the Government proposes to admit the supplies of relatively cheap food from overseas, upon whose amplitude the British standard of living will largely depend in the future as in the past. If the intention is to do no more than save efficient home producers—the emphasis must be placed upon efficiency—from the sudden sharp fluctuations to which the agricultural markets are inherently subject, then the programme achieved has a chance of being desirable, economic and in the national interest—as well as in the interests of smooth and ample world trading.

* * *

The World's Food

At Hot Springs, there appears to be no doubt, judged by an unofficial summary of the recommendations of Section Three of the United Nations Conference on Food and Agriculture, that the purpose of agriculture is to supply food for consumers to eat. It is explicitly recognised that the expansion of production is only the first step; the widest possible distribution and consumption are the real goals. This is a truism which only needs stating because it is so persistently disguised by interested, mystical or nationalistic arguments. A buffer pool, for instance, such

as has been suggested by the British delegation to Hot Springs, is not justified if all it does is to enable producers to get rid of all they can produce at a remunerative price; it is only justified if it also enables consumers to buy all the food that can be produced at a price they can pay. The latest draft recommendations point out that the chief obstacles in the past to the diffusion of consumption have been barriers to international trade, restrictive economic policies, and the absence of industrial development in hungry but impoverished areas. All these, it is argued, have been symptoms of a world in which collective security and international economic collaboration have been notably absent. The first prerequisite, therefore, is a guarantee of international peace; and the second the pursuit of policies of economic expansion, full employment, industrial development, ample investment, orderly exchange and freer trade. The Conference's latest recommendations insist in particular on the prevention of excessive short-term fluctuations in food prices; on the effective representation of consumers in all international commodity arrangements; on "meeting consumption needs from the most efficient sources of production at prices fair to both producers and consumers"; and on the taking of steps, international as well as national, to provide all people, whatever their income, with a sufficient diet in both quantity and nutritional value, by social security programmes and subsidising the consumption of special classes of consumers. The lessons of wartime rationing and distribution according to priority needs are clearly in mind in this last proposal to abolish under-nutrition and malnutrition. They will be especially in mind during the transition from war to peace when there may not be a sufficient supply of essential foods or of the means to produce and transport them to meet all basic requirements, and orderly allocation according to need will be imperative. No one can tell yet how successfully the recommendations of the Hot Springs Conference can be translated into national and international policy without being wrecked on the old rocks of sectional self-interest. But the simple truth that food is meant to eat is a sound beginning.

* * *

The Generals—

On Sunday, May 30th, General de Gaulle, accompanied by M. André Philip and M. René Massigli, made his long delayed journey to Algiers, and the final negotiations for the reunion of combatant France began in earnest. Since then, there has been a further series of setbacks and misunderstandings. The agreement on principle achieved before General de Gaulle left London, largely as a result of the untiring mediation of General Catroux, has yet to be substantiated by agreement on the personnel and powers of the new Central Executive Committee. The trend of discussions can be gathered from the fact that M. Peyrouton has resigned his appointment as Governor-General of Algeria—which is said to have been announced in two letters addressed to the two Presidents of the Executive Committee, General Giraud and General de Gaulle—and the retention of the Army command by General Giraud is now uncertain. These two issues, obviously involve joint military and civilian authority, obviously involve important questions of principle; but it is to be feared that a certain number of purely personal considerations are still holding up the final merger. On the face of it there appears to be no ground for the objection in Free French quarters to the inclusion of General Jacques Georges, on the Central Executive. General Georges is not only a soldier who fought with distinction in the Battle of France; he is also a loyal servant of the Third Republic. Both he and M. Jean Monnet appear to be excellent choices. It is greatly to be hoped that the nomination of the remainder of the Committee will be achieved with a minimum of friction. No party except the enemy draws any benefit from the prolongation of the Algiers talks. Some surrenders will have to be made on both sides, and these are best made promptly and with a good grace. For an atmosphere of indecision places a great strain on the good discipline of the Algerian populace, and delay must breed a highly damaging partisan enthusiasm.

* * *

—And the Admirals

Unhappily, dissension between the French generals has had its repercussions on the attitude of certain French admirals. Admiral Godfroy at Alexandria and Admiral Robert at Martinique have for some time adopted the view

that French sovereignty continued to reside at Vichy until such time as the resistance movements abroad could put up an effective united counter-claim. Admiral Godfroy, who appears to be something of a realist, foresaw the likely merger of the movements led by General de Gaulle and General Giraud some weeks ago, and made known his fleet's decision to join the Allied cause on the day that the Tunisian campaign ended. Admiral Robert, who has recently made a further statement to the press, continues to maintain that he will take no action which leads him into rebellion against the "French Government"—by implication Vichy—and he continues to stress the disunity of the resistance movements. It is not even clear that a formal merger at Algiers, and the designation of that town as the capital, not only of *France d'Outre Mer* but of Metropolitan France translated, would eliminate his scruples. Meanwhile, the unfortunate inhabitants of Martinique continue to run short of food and the situation remains extremely unsatisfactory. Admiral Godfroy's decision renders Admiral Robert's position even less tenable than before—if that were possible. To-day the fact that in the middle of the Caribbean, fighting ships and essential tonnage should be withheld from the common cause for the *beaux yeux* of a Vichyite makes no sense at all.

* * *

The Donkey and the Haystacks

Once upon a time the attention of philosophers was much engaged by the riddle of the donkey which was equidistant from two equally palatable haystacks of equal size. The question was why the animal should choose one rather than the other of the haystacks for its next meal; and there was a persistent suggestion that, unable to make up its mind between two identical alternatives, the unhappy creature would starve to death. According to Lord Selborne, who spoke for the Government in last week's debate on agricultural policy in the House of Lords, His Majesty's Government is in a similar plight with regard to reconstruction. Ministers, it seems, cannot make up their mind between, not two, but many projects of equal attraction. Peter is weighed against Paul, housing against social security, hospitals against education, civil aviation—somewhat oddly—against all other claimants on the nation's post-war resources. It is, of course, true, in general, that as the Minister of Economic Warfare sagely said, "You cannot draft policy for one great department of national economy without reference to issues of basic importance in other great departments of national economy." This is what, above all, has been learned by hard experience in wartime. But it is an argument, not for procrastination, but for the setting of priorities. Policy for peace cannot be extemporised any more than policy for war can. There will be no *entr'acte* between the fighting and the future. The problems of demobilisation and resettlement, of remobilisation and re-equipment, will arise at once whether the Government has made decisions on these matters or not; and the absence of decisions will simply amount to the utmost impolicy when that moment comes. Mr Churchill is undoubtedly right when he insists that winning the war must come first; and "the leading members of the Government" who, Lord Selborne declares, "have no time for consideration of policy," deserve all sympathy. But facts remain. No one suggests that making policy for peace is easy, any more than making policy for war, which got off to the worst of starts, has proved easy. But the responsibility cannot be set aside. It seems from Lord Selborne's gloomy gloss that the Prime Minister's broadcast slogan, "No promises but every preparation" means "No decisions by Ministers, but heaps of preparatory work by civil servants and experts." If this is so, immediate post-war policy—for some policy will be required, whether decisions have been made or not, and the absence of decisions is itself policy of a kind—will be worse than even the most sober have feared. Mr Morrison, in the same vein of apologia for the fact that the Cabinet is allergic to reconstruction, recently said that the soldiers must not come back with the promise of a paradise that they will not get. True; but they must come back with the promise of a sanely and decently run community that they will get.

* * *

Town and Country Planning

The Minister of Town and Country Planning's first press conference was a friendly affair, but it did not throw any new light on the Government's intentions about post-

war planning. It was good to hear Mr Morrison stress the importance of consulting ordinary people in the drawing up of plans and of taking their needs as a starting-point for reconstruction. Planning from the top alone would not be compatible with a democratic society, and such studies as Mass Observation's "People's Homes" are of value in finding out about the kind of homes and neighbourhoods people want to live in, as well as in stimulating public interest in the general problem. There is a danger that such admirable precepts may become mere platitudes, and Mr Morrison's appeal to local planning committees to seek the opinion of local inhabitants will, it is hoped, be listened to. The Minister described local authorities as "the spear-head of the planning movement," and said that councils in blitzed areas were now engaged in drawing up plans, in co-operation with adjoining authorities. This is a proper preliminary, since the local unit must form the basis of a national plan, but there is no sense in local planning in a vacuum. Until the Government's policy on certain broad issues is defined, much time and effort may be wasted. In the first place, local plans must be fitted into a national frame-work, and there has still been no firm indication of the Government's intentions with regard to the basic recommendations of the Barlow, Scott and Uthwatt reports. Secondly, in the absence of a Treasury decision on the financing of rebuilding projects, local authorities may very well be driven to press for developments which will raise the rateable value of their areas, though they may not be socially the most desirable. The Bill which Mr Morrison has promised to extend local powers of purchase will help; but it will only be a beginning of the solution of this crucial financial problem. Thirdly, it is doubtful whether the local authorities, as at present constituted, have the necessary man-power, either in number or competence, to cope with the task of formulating and executing plans. Finally, the Government has yet to define its attitude towards the whole question of local government reform—what is to be the size of the administrative unit, and what are to be its powers? Mr Morrison, in the House of Commons debate on May 11th, hinted that it might be necessary, at a later stage, to "consider afresh the authorities" who are to exercise the powers. Such a review not only might be necessary, but obviously is necessary, and at an early date.

* * *

Mediterranean Air Offensive

The relentless bombing of Italy continues. Allied bombers have attacked the mainland as far north as Leghorn and harbours and airfields throughout the south are being pounded. The outposts—Pantellaria and Sicily—are suffering almost ceaseless visitations. Sardinia, too, has been raided. The immediate purpose of this air offensive is, of course, to clear the Mediterranean. From Axis sources are coming circumstantial reports of big convoys in Gibraltar, and it is essential to any speedy military developments anywhere in the Mediterranean that the Allies should



THE WESTMINSTER BANK

is represented by an extensive system of branch offices in England and Wales with agents elsewhere, and is amply equipped to conduct your private and commercial banking business. The Manager of any branch will gladly give an interview to discuss or explain any point which will help a client, or prospective client, to a full use of the services available to the Bank's customers.

WESTMINSTER BANK LIMITED

Head Office: 41 Lothbury, London, E.C.2

have an uninterrupted field of manoeuvre from Gibraltar to Alexandria. A secondary purpose of the bombing is naturally to cause alarm and despondency among the Italians. The scale of the evacuation from the bombed cities is evidence of its devastating effect. Yet neutral observers in Italy suggest that the Italian people are accepting the new calamity in the spirit of fatalism and indifference with which they have followed the fortunes of war hitherto. One German correspondent has even complained that they still seem to feel that the war is a long way off. The fatalism springs primarily from their conviction that there is nothing they can do about it. In the feverish months of 1939 and early 1940, they still hoped that the King-Emperor might finally make a stand, abdicate, refuse to declare war, dismiss Mussolini. There seems to be no hope of that now. The Crown Prince is a figure-head. The political horizon is dominated by the Duce. He has little real popularity, but he is all there is. The Fascist Party has probably been strengthened by the reorganisation of recent months. Mussolini's old guard, the "fascists of the first hour," have been promoted at the expense of younger men. Men with fighting experience are receiving precedence over non-combatants, many of whom are being sent off to the Army. The changes can only have made the Duce's political monopoly more complete.

The Satellites

Italy's dilemma is repeated in all the satellite states which form a protective shield along Germany's southern flank. They are in the front line. They expect to take the first bloody shock of invasion, and they must take it in a cause which they shrewdly expect to be already lost. It is not surprising that the puppet Governments are all attempting to hedge. In Hungary, M. Kallay, the Prime Minister, in a speech last Sunday declared his country's devotion to democratic forms of government, and said roundly that Hungary could not bear sacrifices out of proportion to its strength. This speech came on top of the return to Hungary of the Second Army for demobilisation and the Hungarian Government's opposition to Germany's proposal to make use of Hungarian territory for purposes of transit. Two months ago M. Kallay was in Rome, and it is generally assumed that the possibilities of retreat were discussed. In Roumania, King Michael and Marshal Antonescu are reported to be at loggerheads over the question of fresh troops for Russia. There is even talk of the King forming an all-party Government to include politicians of the pre-dictatorship period such as Bratianu and Maniu. In Bulgaria, German pressure on King Boris's comparatively moderate Filov Ministry has produced no concrete military support—only the expulsion of the Jews from Sofia, almost certainly as a preliminary stage in the terrible journey to Poland. It is hard to speak of established Governments in Croatia, Serbia and Greece. In the Yugoslav territories fierce fighting continues almost without interruption. Even Axis commentators admit that the Pavelic Government has no more than nominal authority. The peninsula from Hungary and Roumania southwards is either militarily occupied or still fighting. There is little doubt that Italy could swing all the satellites out of the war if there were anywhere to swing to—or from. The Governments are all too deeply compromised to deal with the Allies themselves. Yet in no country is there any alternative Government which could come to power without the aid of an invading army. In all of them fear of Russia and ignorance of the Allies' plans for Europe still act as strong inhibiting factors. In the last war the existence of parliamentary oppositions made collapse and surrender a possibility. To-day one of the penalties of the "monolithic state" is that no alternative to bloodshed can emerge save by way of bloodshed.

More Trouble in Tangier

The latest disturbances in Tangier have an air of calculated provocation. In the course of the last few days, the Spanish authorities and police have rounded up some hundreds of local Jews and Arabs, believed to be on the point of volunteering for service with the Allies in French Morocco, and deported them to concentration camps in Spanish Morocco; they have also picketed the offices of the local British newspaper, the *Tangier Gazette*, in an attempt to prevent its publication. In the circumstances of to-day, this truculent behaviour requires more explanation than

did the failure to control the riots in the spring of 1942. To-day, all North Africa, apart from Tangier and Spanish Morocco, is under Allied control. Recent pronouncements of General Franco have suggested that he realises that times have changed. Spanish provocation cannot still appear to be a paying proposition. Indeed, the inept belligerence of the Spanish administration in Tangier has already aroused reawakened interest in the status of the whole zone. The assurance which was given to the Spanish Government on November 8, 1942, at the time of the Allied landings in North Africa, included a guarantee that the *modus vivendi* established with regard to Tangier in February, 1941, would be respected. This provisional agreement was framed to protect the personal rights of British subjects in the conditions resulting from the Spanish occupation of the International Zone in 1940. It has always been maintained by the British authorities that there was no *de jure* recognition of Spanish rule. Since February, 1941, the terms of the provisional agreement have been repeatedly violated by the Spanish authorities. On several occasions there have been attacks upon British property and, in January last, General Orgaz, High Commissioner of Spanish Morocco, announced the incorporation of Tangier in his territory. On this occasion, the British Government again pointed out that it reserved all rights. It is curious that in these delicate circumstances the Spanish authorities should continue to cut away the ground under their feet. The Allied guarantee of November 8, 1942, agreed to observe the provisional arrangement of February, 1941. This arrangement has not, however, been observed by the Spaniards, and it is hardly surprising if British opinion is increasingly disatisfied with the existing state of affairs. The fact that there is abundant evidence that Spanish provocation has throughout, and more than ever on the latest occasion, been German inspired, makes it doubly important to end this nuisance. No doubt the aim of German intrigue in Tangier is still a clumsy attempt to create ill-feeling between Great Britain and Spain. The strongest argument for ending the Spanish administration is its inability to resist German pressure.

Twice Delegated

The Government has not accepted the proposal of a group of Members, which was debated in the Commons on Wednesday last week, that a Standing Committee should be set up to examine delegated legislation and to report upon it to the House where necessary. The Home Secretary, upon it to the House where necessary, claimed that this formal procedure could not be introduced without the Government in fact handing back a part of the emergency powers which it has been granted by Parliament to conduct total war. According to this argument, which the Home Secretary drew out to very considerable length, it is a question in wartime not simply of delegated legislation, but of legislation doubly delegated. Over a substantial field the House of Commons has transferred full legislative powers to the Government. Not only are Statutes filled in and interpreted by Orders as in peacetime; they are actually replaced, in effect, by Defence Regulations, under which in turn Orders are made. The genealogy of the process was described by Major Petherick, the mover of the motion. The parents are the Emergency Powers Acts, the children the Defence Regulations, the grandchildren the Orders; the great grandchildren are "directions and instructions made under the Order, which is made under the Regulation, which is made under the Act of Parliament." If Mr Morrison's claim is accepted that this procedure of proliferation, which has transferred the responsibility of law-making from Westminster to Whitehall, is necessary for the prosecution of the war, he is probably also right in saying that the institution of a Parliamentary Committee to scrutinise draft Orders would either be ineffective or impeding. It is plain that there are great dangers in this transfer of power and responsibility, however inevitable it may be in the circumstances of war; but Parliament has given these powers, and only by taking them away, that is, by removing its support from the Government, can it reverse the trend. This, obviously, it is not prepared to do. There are other means, however, of keeping watch and ward. Last week's debate is a case in point. It extracted from the Home Secretary, on behalf of the Government, a number of valuable promises: that steps of importance, in principle or effect, shall normally be taken by Regulations, which can be annulled, and not by Orders, which cannot be annulled; that Regulations and Orders will, where possible, be drawn up in

plainer language and accompanied by explanatory notes; that the practice of drafting Regulations and Orders by reference shall be largely abandoned so that each is intelligible in itself; and, more generally, that Parliamentary time will be given for debating Orders which a substantial number of Members wish to discuss.

Parliament cannot control from day to day the executive creature which it has vested with full powers; but it can check and restrain it by suasion. This has already been proved by the achievements of an informal group of Members who have made it their business to examine the intelligibility and merits of Orders as they appear; and there is always the weapon of Questions, Parliament's most potent instrument. On the other side, success in the extraordinary process of wartime government depends upon the self-discipline of departments themselves. Mr Pickthorn, in much the best speech of last week's debate, stated strongly the danger of "Ministers taking larger powers than they really need"—"where you only want 2½d. worth of legislation, taking 100 quids' worth to be on the safe side." Only if these powers are used with due reserve and restraint can the climate of understanding and co-operation be preserved that has so far enabled Parliament and Executive to work together in their distorted wartime relationship. The case for greater Parliamentary control over delegated legislation in peacetime is very strong. In wartime this is probably not possible, though Mr Morrison was perhaps more eloquent than he was convincing; but, at any rate, there is need for the firmest assurances of good conduct from Ministers, proved by their practice and if possible, as suggested by Mr Pickthorn, embodied in a Statute, "so that they do not repose entirely on the vigilance of private Members."

Church Bells

Three years after it was imposed, the ban on the ringing of church bells has been lifted. On June 19, 1940, the Control of Noise (Defence) Order prohibited the sounding of any church bell, except in accordance with military instructions to indicate that members of an enemy force "are landing or attempting to land, or have landed from the air." After the first few months, the possibility of being summoned by church bells to repel invasion was not taken seriously, and as long ago as March, 1941, the Government announced that there would be no general ringing of the bells if an invasion occurred; they would only be heard in places where parachute troops had been seen to drop. In fact, the proposed use of the bells was symptomatic of the general state of unpreparedness of 1940. As preparations against invasion were completed, the ringing of church bells as a warning became, in Mr Churchill's words, redundant. This being so, one may ask why the ban was not lifted long ago. In particular, why did it have to be lifted in two stages? The Control of Noise (Defence) No. 2 Order, made just before Easter, prohibited the sounding of any church bell except for the purpose of summoning people to worship on a Sunday, Christmas Day or Good Friday—but not Ascension Day. It took more than a month, apparently, for the Government to realise that if the bells were not wanted to sound an invasion warning at church-going times on Sundays—and Christmas Day and Good Friday—they were not wanted at all, and from the end of last week they may be rung for any purpose at any time. Bow Bells have also been restored as an interval signal by the BBC. The episode is insignificant; but it is a warning that regulations may sometimes be continued after they have become unnecessary, and that the official mind evidently finds it harder to relax restrictions than to impose them.

Assumption B

The discussions between the medical profession and the Minister of Health on a comprehensive health service have reached the open, and on Tuesday they were debated in the House of Lords. Lord Derwent's motion was badly worded, for it ran

... In view of the fact that the medical provisions of the Beveridge Plan ... concerning the future status of doctors and the medical treatment of the population in general do not appear to be designed to further the best interests of British medicine or of the population. ...

Actually there were no medical provisions in the Beveridge Report at all. It assumed a comprehensive health and rehabilitation service, but expressly declared that the problem of organisation was outside its scope. What it did, however, say was that it was in the interests of the proposed Ministry of Social Security that a health service should be found which

will diminish disease by prevention and cure and will ensure the careful certification needed to control payment of benefit at the rates proposed in this Report.

It is viewed in the light of this sentence that the Minister of Health's proposals are regarded by the representative committee of the medical profession with suspicion. The deputy-secretary of the British Medical Association stated recently that, in his view, the Government had decided that, before a social security plan could be adopted, it would be necessary to control the doctors, upon whose certificates a great deal of the money going out of the social security fund would depend. This suspicion was also voiced by Lord Dawson of Penn in the House of Lords debate. The question of certification is indeed a tricky one. Since the Beveridge benefits would give a sick person a subsistence income—which the really sick person should undoubtedly have—there is a grave danger that they would be exploited, whether consciously or unconsciously. Possibly the best safeguard would lie in the rehabilitation service, which formed part of Assumption B, and in some means of periodically reviewing cases of non-organic illness. There should certainly be no question of making doctors agents of the social security fund, and it is a pity that Lord Snell, replying for the Government in Tuesday's debate, did not dispel this bogey. In fact, his speech was disappointing. He said that the Government was not proceeding in haste or without consideration. But he gave no indication that any consideration at all is being given to reform and reorganisation at the centre where different aspects of the health services are dealt with by different Departments. Nor did he say anything to dispel the other bogey—that the Government intends doctors to be employed by local authorities, without giving any indication of what the new local authorities will be like.

The Coal Outlook

There has been a further drop in coal production. Output in the four weeks ended May 15th was only 3,624,600 tons, compared with 4,005,200 tons in the previous four-weekly period. Although the incidence of the Easter holiday in part accounts for the decline, the present figure is lower than that for any previous month in which a holiday period occurred, and is, indeed, the lowest reached in the last two years. (Detailed statistics are given on page 740.) The outlook is far from encouraging, and it is surely time that the Minister of Fuel told Parliament what progress has been made with the promised reorganisation of the industry, with the scheme for concentration on the most productive pits and the increased use of machinery. The Eighth Report of the Select Committee on National Expenditure suggests that little progress has been made in this direction. It seems that transport and housing problems, together with the reluctance of miners to move, have acted as a deterrent to concentration, while the deliveries of special coal-cutting and conveying machinery have been slow. The Select Committee

BUY

3%

SAVINGS BONDS 1960-70

POST OFFICE & TRUSTEE SAVINGS BANK ISSUE

• Purchasable in multiples of £5. Interest paid half-yearly

• Income Tax not deducted at source. May be sold quickly through your Savings Bank.

Issued by the National Savings Committee, London

pins its hopes on achieving such a reduction in the rate of voluntary absenteeism as will compensate for the inevitable labour wastage in the industry, and recommends a more speedy procedure for dealing with absentees. The rate of wastage is normally 20,000 or more men a year, and measures so far taken to arrest it have not proved effective; "the country faces the certainty that by the end of this year the number of men engaged in the industry will be smaller than at the present time." The Committee is very properly satisfied with the response of the public to the voluntary restriction scheme; but it is doubtful whether, given a hard winter, voluntary restriction of consumption could again produce adequate economies. It is difficult to agree with the Committee's view that the main solution of the coal problem lies in increased measures against absenteeism. That there is avoidable and inexcusable absenteeism, especially among the younger men, is certain. The need for firm action against offenders has been emphasised by the miners' leaders themselves. But an appreciable part of absenteeism, due to sickness and accidents, is involuntary, and the problem is too complicated for it to be boiled down to a lowest common denominator—absenteeism. The drive for coal production necessitates measures for increasing productivity, for preventing labour wastage, for maximising economies in industrial and domestic consumption, as well as for reducing absenteeism. Mr Churchill's message to the miners, that the coming offensives will call for increased coal production, should be heeded no less by all the other parties concerned in the business of getting and using coal.

Shorter Notes

At the end of last week, in a broadcast talk, Lord Woolton announced certain "concessions" to make the collection of ration books easier. He admitted that distribution was over-centralised—a slight understatement of a system that *inter alia* sent people by foot over the Kirkstone Pass and back—and gave full authority for the opening of sub-offices, travelling offices, and block distribution with the aid of the

Women's Voluntary Service. Where there is more than one initial letter in a household, all the ration books may now be collected together, when the hour of the last letter comes.

From June 1st, a strict and far-reaching censorship has been imposed by the Portuguese Government on all outward correspondence and other communications—press, public and private. Among other restrictions, no criticism may be made of Portuguese neutrality or of the Government's attitude towards the belligerents.

In a parliamentary answer this week, Mr Attlee gave the numbers of casualties among the armed forces of the British Empire in the first three years of war:

	Killed†	Missing	Wounded	Prisoners of War	Total
United Kingdom*	75,477	75,405	50,163	76,801	275,844
Canada	3,142	2,058	1,557	3,865	10,422
Australia	6,192	24,193	15,700	7,874	53,959
New Zealand	3,219	2,860	7,178	6,088	19,345
South Africa	1,439	13,350	3,229	4,597	22,615
India†	3,286	86,289	9,168	5,236	101,979
Colonies	1,334	22,566	1,499	5,430	30,829
Total British Empire	92,089	228,719	88,294	107,891	514,993

* Including overseas personnel serving in those forces.
† Including casualties to the Hongkong and Singapore Royal Artillery.
‡ Including died of wounds and injuries.

The figures are of casualties up to September 2, 1942. In roughly the same period, up to the end of August, the number of civilian casualties in air-raids on the United Kingdom was 102,934—killed 47,291, and injured 55,643. In the first three years of the last war, British Empire casualties were about 1,741,000, of whom 387,500 were killed and 1,177,500 were wounded.

AMERICAN SURVEY

Inflation and Speculation

(From a Financial Correspondent)

Chicago, May 3, 1943.

IN the spring of 1942, an advance began in the New York stock market that carried the averages of industrial, rail and utility groupings upwards by as much as 50 per cent in a single year. Trading volume doubled and tripled, and quadrupled. Speculation in securities became so general that newspapers which maintained investment advisory services even reported inquiries from private soldiers in the Army camps, whose previous experience in risk of capital had never gone beyond betting on horse races.

Two fundamental factors contributed to this remarkably vigorous rise of stock prices. First, there was the inflation brought about by wartime economy. Second, there was the limited supply of capital issues. Public savings were the highest of all time. Opportunities for the placement of venture capital were almost nil. The banks reported steady and severe declines in their small loan accounts, which meant that the people who used to borrow money for comparatively trivial purposes no longer did so. National unemployment had declined from something around 10 millions to close to the irreducible minimum of around 1,000,000 in a very few years.

The resultant pressure had economic results comparable to the meteorological calamities that follow great changes in air pressures. The level of market prices could not do otherwise than go up, even though corporation earnings declined under the great burden of wartime taxes, and dividends fell off with them. Supply and demand and the volume and

velocity of money in circulation made what had happened inevitable.

The presence of "little people" in the stock market was demonstrated by the activity in low-priced issues—stocks selling at less than \$5 a share. The daily totals of these issues ran to thousands of shares, and increased steadily. Brokerage firms reported that most of the customers who bought such securities paid cash and carried them away to store in bank vaults. These people bought under the impression they were making sound investments, even though their investigation into the quality of their holdings had been sketchy, to say the least. Their habits of buying had been formed by buying "baby" war bonds, which they also stowed carefully, and with complete confidence. Paper, to them, was honest paper, even though the common shares of railroads in the process of reorganisation, or a utility issue that might be wiped out under the procedures of the Securities and Exchange Commission, might ultimately be worth no more than the expensive engraving on the certificate.

This was a different generation from the disillusioned speculators of 1929. And the longer the advance continued, the more difficult was the problem of convincing them of their danger, as well as the danger to the nation's economic structure, however apparent this might seem to a trained economist. Practically all these people had substantial "paper profits"—100 per cent was not unusual. They cared little about corporate earnings or dividends so long as

the stock quotation tables showed they had doubled their money by what they considered to be their own native shrewdness.

Stemming the Tide

The dangers of the situation have been recognised, however, by the United States Treasury Department, the Securities and Exchange Commission, and the officials of the nation's stock exchanges. There are political possibilities, the outcome of which it would be difficult to predict. The economic consequences may result in the closing of the exchanges.

This is not to suggest that all low-priced stocks have no intrinsic value. The courts have decided, however, that some of them are worth little or nothing. In March, for instance, the United States Supreme Court ruled to uphold a previous ruling of the Interstate Commerce Commission on the reorganisation plans of the Milwaukee Road and Western Pacific Railroad. The ICC had decided that the stockholders of these railroads would be left out of reorganisation plans. This method, it was assumed, would apply to other reorganisations of railroads, and there was a rush to sell stocks that had had sensational advances. The prices of common stocks of railroads in reorganisation tumbled more than 50 per cent, and bewildered people who had purchased them in hopes of making their fortunes grumbled loud enough to be heard in New York and Washington.

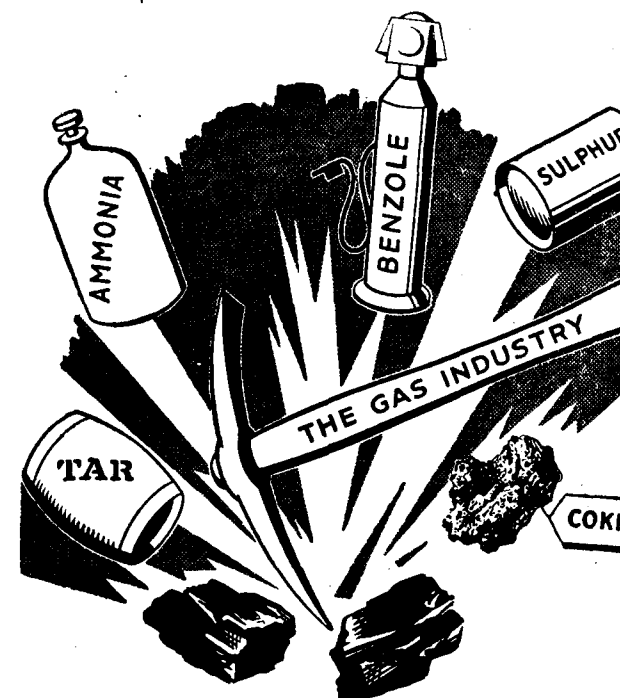
A few days later the governors of the New York Exchange decided that all transactions in stocks selling at less than \$5 a share must be for cash. Practically the only effect of this was psychological, since most of the trading had been for cash, anyhow; and the stock market advance had carried on so far that there were almost no shares left for sale for less than \$5. The concern of officials and interests associated with the stock exchanges has been expressed again and again. Emil Schram, president of the New York Stock Exchange, in several speeches and announcements for the press told his alarm at the heavy activity in low-priced stocks listed on the exchange. He said that buyers should not be led astray by the fact that many stocks were selling at low prices, but should be guided by factual information on earnings and other financial details. The exchange's largest member, which maintains offices in nearly 100 cities throughout the nation, also grasped the situation, and tried to do something about it. The partnership advertised in 100 newspapers, offering to supply annual reports of corporations to non-registered stockholders as well as to others who contemplated buying securities, in order that they might study all phases of a company before purchasing its stock.

There can be no question as to the sincerity of these admonishments and advice, but it will be appreciated that many of the people who are speculating now for the first time in their lives, on earnings gained at operating a turret lathe or a punch press, would not know one item from another on an income account. They only know that it is nice to see stocks go up, if they happen to own them. They will feel cheated if they go down, or if they find they own a hundred shares of a utility holding company that has become worthless in the "death sentence" proceedings of the National Securities Act. They will not lose money without complaining, never having considered that possibility in speculation. True, their uncles, aunts and parents lost money in 1929. Conditions these days, however, were supposed to have changed. The Securities and Exchange Commission was supposed to have made everything safe for a man with a bit of coin to risk. That is as much as they know. And they will certainly write to their Congressmen to ask how it happened that one day they were rich, and the next had nothing.

Spring Sales

In February, one New York Stock Exchange firm began to keep some of its offices open nights in order to care for the investment needs of war workers unable to get away from their jobs during the day. During the same month it was disclosed that two members of the staff of the SEC had drawn up a tentative memorandum discussing steps that might be taken to prevent an undesirable boom in stocks. Ganson Purcell, chairman of the commission, explained that the memorandum was confidential, not intended for publication, and had never been discussed at any meeting of the Commission. He said members of his staff regularly made various studies as a matter of routine, "a great deal of which is done in order to form the basis

Splitting the mighty atom



It is recognised now that coal is a means to an end—or rather to many ends. Not merely something to burn for its heat, but a source of numerous valuable substances that will be the basis of Britain's post-war prosperity.

The carbonising industries point the way to this modern treatment of coal. The process of gas-making splits up the coal into many different parts and extracts every ounce of value from it. Every 100 tons of coal used in the gas works produce 7,500 therms of gas, 50 tons of coke, 1,000 gallons of tar, 250 gallons of benzole, 2,500 lbs. of sulphate of ammonia and 300 lbs. of toluene. And the Gas Industry carbonises over 18 million tons of coal annually.

These valuable by-products of gas-making in turn yield over 2,000 chemical substances of tremendous value. Among them are explosives; drugs such as M & B 693, novocaine, acriflavine and aspirin; sulphuric acid for electric batteries; food flavourings; baking powder and saccharine; camouflage paints; agricultural fertilisers; aviation spirit; and the chemicals from which plastics are made for use in a hundred and one ways from the ubiquitous ashtray to the essential fittings of our fighter aeroplanes.

The Gas Industry in war, as in peace, plays an important part in the national economy.



BRITISH COMMERCIAL GAS ASSOCIATION · LONDON · S.W.1

for final definitive action whenever that may seem necessary."

Early in April the stock market, after an almost uninterrupted twelve-month rise, crashed under the heaviest selling since the Nazis overwhelmed France in May, 1940. In a series of anti-inflation moves, the national administration speared the stock market balloon in several places. Then President Roosevelt issued a surprise proclamation freezing wages and prices, which was intended to shut off the mechanism that generated gas for the balloon. Towards the end of the month the nation's full force of securities salesmen concentrated their efforts on pushing the \$13,000 million Second Victory Loan. It was a "market basket" loan, with types of securities to attract every type of investor, big or little. Undoubtedly, substantial funds, which had been going into the stock market, were diverted, because trading slowed down, but activity persisted in the bracket of lowest-priced stocks.

These were the two most effective measures that had been tried, in a year of advancing stock prices, to curb careless public speculation. The effective emergency powers of the Securities and Exchange Commission had not yet been exercised. The Victory Loan had been a complete success, so far as the participation and co-operation of the nation's banks was concerned. Even so, there remained a tremendous flood of money in the hands of the public.

American Notes

The Growing Crisis

The miners' "strike against the Government," which President Roosevelt was confident would never take place, has begun. Despite desperate last minute efforts by Mr Ickes, and the offer of a temporary compromise by Mr Lewis, no further progress has, at the time of going to press, been made towards a settlement and, in accordance with their policy of "no contract, no work," the miners left the mines on Tuesday morning. The issue now at stake is the number of minutes consumed in getting the miners to and from the coal face, in accordance with the War Labour Board's suggestion that to pay for this period would be a legitimate method of increasing the miners' pay, although a direct wage increase would not be tolerated. It is of particular interest that, although both Mr Ickes and Miss Perkins, the Secretary of Labour, have blamed Mr Lewis for not extending the truce, they have also denounced some of the coalowners for deliberately setting their faces against any reasonable compromise. It is indeed only too likely that the coalowners may not be averse to a situation which embarrasses the Administration and in their view may lead Mr Lewis to cut his own throat. News from other sectors of the labour front, while less spectacular, is not altogether reassuring. There has been a rash of smaller strikes, and there are indications that some union leaders may be losing their control of the rank-and-file. The rubber strike is over, under a direct Presidential order, but as the *Washington Post* points out, before the strikers returned, they had received an assurance from the War Labour Board that the decision which precipitated the walk-out would be reconsidered. The Board saved its face to the extent of insisting that production be resumed before it reviewed the case, but the incident is not likely to increase its authority. The railway workers have succeeded in obtaining a recommendation for a general wage increase of 8 cents an hour for more than a million non-operating employees from an emergency board appointed from the National Railway Labour Panel. Meanwhile a Gallup poll has measured the obvious and growing public distaste for war-time strikes, finding that 81 per cent of those questioned believe that strikes in war industries should be forbidden by law, with only 13 per cent defending labour's right to strike. The figures vary only slightly for strikes in companies taken over by the Government, and it is noteworthy that union members questioned were 67 per cent in favour of making it a crime for anyone to urge a strike in Government controlled industries. The exigencies of the coal situation combined with the state of public opinion make the passage of an anti-strike law almost certain, but whether coal can be mined any better by Congressional decree than by bayonets remains to be seen.

The Nationalist Line

Those who were naïve enough to suppose that the combined influence of Mr Churchill, Marshal Stalin and

Warner Bros. would suffice to allay American suspicions of Russia have been disillusioned this week. Cardinal O'Connell has expressed the continuing distrust of the hierarchy and Senator Burton K. Wheeler has uttered the most defiant whoop of isolationism heard since Pearl Harbour. Senator Wheeler's Chicago speech gives a useful indication of the line that his fellow-Isolationists—they prefer now to be called Nationalists—are likely to take. Announcing that he had learned from "reliable sources" that Russia's post-war demands will be a large share of Poland, the Baltic States, a substantial part of the Balkans, political and economic influence in Norway, Sweden and Finland, and control of the Bosphorus, Senator Wheeler declared:

What happens to Poland may determine whether the peace conference is to ensure the welfare of the world or merely to present a scheme of disorder and intrigue—an ignoble contest for power at the expense of principles.

Until Russia renounces her Imperialist demands and makes clear her position in the Pacific, the United States would do best, the Senator argued, to concentrate upon finishing off Japan, particularly as he thought it unlikely that after the defeat of Hitler Britain would be in a position to send substantial aid to American forces in the Orient. From his distrust of America's Allies in war there flowed naturally the demand that monetary stabilisation—on any pattern—be abandoned in favour of establishing the dollar in the position formerly held by the pound, and that the United States, while co-operating in economic matters, should refuse to be a party to "military or other entangling alliances." Here is a return to the classic formula of isolation from 1919 onwards. In its most effective form the argument is, basically, not selfish, but puritan. The soul of America must be preserved from the contagion of European rapacity and greed. In 1919 it was the political immorality of France and the imperialism of Britain that alienated the isolationist conscience. This time it is to be Russia that wears the horns. The demand for a "Pacific First" war may, as Mr Lippman says, be obsolete. But it has tenacious roots and, combined with the use of Russia as bogey-man, provides a plausible issue for an able man suffering from frustrated ambitions. Mr Wheeler counts as a Democrat, and there is no possibility of his converting his party. But the Republican Party is still flirting, as a party, with Isolationism, and a new "post-war advisory council" of the party ostentatiously omits those Republican Senators who have declared for collaboration. Mr Willkie loses no opportunity of challenging this tendency, and, as he has pointed out, the decision will lie with the Convention of next year.

Committee Tactics

The Bill to abolish the poll tax as a prerequisite for voting in Federal elections is once more before Congress. This tax on voting in seven Southern states effectively disfranchises a substantial number both of negroes and whites, as has been proved by the increase in the electorate in other states where the tax has been eliminated. It will be remembered that the Bill passed the House last year, but that no vote was ever taken in the Senate owing to a filibuster by Southern Senators. It is part of the procedure of both the House and the Senate that Bills are referred to one of a number of standing committees according to subject matter. These committees have, in general, the power of life or death over Bills, for they can only be considered if favourably reported by the committee. For this reason there is a good deal of manoeuvring in the referring of Bills to committees. Anti-labour Bills, for example, may be so worded that they will be sent to a kindly disposed military or naval affairs committee, rather than to a labour committee whose members are hostile to labour restrictions. In the case of the anti-poll-tax Bill, it was referred to the House Judiciary Committee, which was known to be opposed. There is in the House, however, provision that a majority of the Representatives may, by petition, rescue a Bill from the committee shelf, and this is what has happened in the case of the poll-tax Bill. It has now been passed by 265 to 110. Its success in the Senate is less likely although a repetition of last year's tactics is improbable. The present session has a year and a half to go and it would be a brave man who would attempt to occupy the attention of the Senate for 18 months. It is more likely to be held up permanently in a Senate committee, for the Senate, which clings to more of its ancient privileges than the House, has no provision for forcing a committee to produce a Bill to which it is opposed. The Bill

is not only a gesture; it is of real political importance, for it threatens the safety of the Conservative Democratic strongholds in the South. Some of the Southern states are, because of the poll tax, almost pocket boroughs. In the 1940 election, for example, only 22 per cent of the adult citizen population voted in Virginia and only 19 per cent in Alabama, compared with 75 per cent in New York, 73 per cent in California and 82 per cent in Illinois.

Three-Fourths Rum

The pay-as-you-earn debate is over, with a moral victory for the Rum plan. The compromise worked out between the House and Senate provides for the complete cancellation of a year's taxes—either 1942 or 1943 liabilities, whichever is less—when they are below \$50; and the cancellation of 75 per cent of larger tax liabilities. The payment of the remaining 25 per cent will be spread over the next two years. There are additional provisions to prevent windfalls to wealthy taxpayers. A 20 per cent withholding levy, to be applied both against victory tax and income-tax assessments, is included in the Bill, and probably will go into effect in July. It is estimated that the moving forward of the taxable year will increase the Treasury's revenue by well over \$2,400 millions during the coming two years, an estimate which may come as a shock to taxpayers who have assumed that "tax forgiveness" meant some real abatement. As Mr Morgenthau has pointed out, however, these increased revenues are but a small part of the additional \$16,000 millions the Treasury is seeking this year. Congress may not be willing to meet this figure, but the unpalatable job of raising tax-rates for its constituents and bringing in new taxes—probably a sales tax—must now be faced.

Lend-Lease Summary

The latest Lend-Lease Report—covering operations up to April 30 of this year—was sent to Congress against a happier background of promises fulfilled in North Africa. As the President pointed out in his letter of transmittal, Lend-Lease weapons equipped the French armies in Africa, and Lend-Lease supplies of food and medicine enlisted the peoples of the freed areas as effective forces against the

Axis. Of the \$1,000 millions of Lend-Lease supplies for Africa and the Middle East, over \$32 millions represented clothing, food, and other necessities for the civilian population behind the lines in North Africa. Over the whole life of Lend-Lease, aid has amounted to slightly more than \$11,000 millions, approximately 12 per cent of the total US war spending. Britain still stands as the foremost recipient, with \$3,116 millions of supplies, and Soviet Russia second, with \$1,882 millions. It is noted, however, that munitions exported to Russia have exceeded those sent to Britain by the difference between \$1,042 millions and \$880 millions. In the over-all programme of aid, munitions have accounted for 46 per cent of the total, industrial materials and equipment for 22 per cent, agricultural products for 15 per cent, and shipping and other services for 17 per cent. Food, however, is a growing proportion of Lend-Lease. Over one million tons of food were shipped to Russia up to April 30th, but more than half of this was sent in the last six months, and 40 per cent of all shipments to Russia in March consisted of food. Mr Stettinius, the Lend-Lease Administrator, testifying last week before the Senate Appropriations sub-committee, stated that 60 per cent of Britain's Lend-Lease supplies were in the form of food, and that 10 per cent of America's meat supplies would be shipped overseas under Lend-Lease this year. To those concerned about the level of civilian rations in the United States there is no doubt that food shipments are the Achilles heel of Lend-Lease.

Shorter Notes

The Senate has, by a vote of 59 to 23, passed the Bill to extend for two years the President's powers to conclude reciprocal trade agreements. All amendments were defeated.

Renegotiation of contracts by the War Department has saved the country an estimated \$1,866 million, according to the Chairman of the War Department Price Adjustment Board. Of this total, nearly \$700 million represents recovery of excessive profits already paid, and the rest price reductions on future deliveries. These readjustments were made on contracts totalling approximately \$18,500 million.

THE WORLD OVERSEAS

Ceylon's Constitution

THE neighbouring and larger problem of India has tended to overshadow Ceylon's struggle for self-government. Yet the declaration made by the British Government last week was merely the latest chapter in a long story of an attempt to give the colony, if not Dominion status, at least "full responsible government under the Crown in all matters of internal, civil administration."

As in India, the attempt has been frustrated over and over again by communal difficulties. Before the last war, the dominant community was the European. As in other parts of the colonial empire to-day, the demand for self-government came from them, and the Ceylon Government, like the present Governments of Northern Rhodesia or Kenya, was forced into the position of trustee for the native communities. But another community was also becoming politically vocal. The Ceylon National Association began to demand a new constitution based on a mainly elected legislative council with financial control, half of whose members would be given places on the executive council.

But, in spite of its name, the Ceylon National Association was not speaking for the Ceylonese. It chiefly represented the Sinhalese, and the low-country Sinhalese at that, because the million and a quarter Sinhalese of Kandy regarded themselves as separate from the two million others. In addition, there were half-a-million Ceylon Tamils, 312,000 Mohammedans, and 700,000 Indian Tamils, besides the burghers of Dutch descent and the 10,000 odd Europeans. Thus, the Government had to act as trustee for these smaller communities; in particular, it had to uphold the interests of the peasants in an island which for more than two thousand

years prior to the establishment of British Crown Colony rule in 1800 had been subject to an absolute monarchy, accompanied by unpaid forced labour by the peasants.

This is the background against which the last twenty years of constitutional progress in Ceylon should be viewed. The constitution granted in 1920 specifically provided for the communal problem by establishing a legislative council of 14 nominated official members and 23 elected members, of whom 8 were elected by communities. The aim behind this constitution was to ensure that the smallest community should not be subjected to the will of the strongest. Inevitably, the strongest—the Sinhalese—protested, and a new constitution, granted in 1922, attempted to reconcile the interests of minorities with an advance in self-government.

Power Without Responsibility

Investigating the working of this constitution six years later, the Donoughmore Commission found that it had failed. There was a big majority of elected members in the Legislative Council, but they had no responsibility for government. This was vested in the minority of official members. The position thus arose by which, in the words of the Commission, "those who have the controlling votes . . . do not bear the responsibility for their decision, those who have to bear the responsibility are without the controlling votes." Nor had the attempt to educate the unofficial members in the duties of government by a system of committees been at all successful. Of select committees there were plenty—55 for an assembly of 49 members—and of

criticism and interference with the business of government there was far too much. But of co-operation between the legislative and the executive, of training of the former in the responsibilities of administration, there was none at all.

It surprised us in visiting the various institutions in Ceylon which are engaged on medical, agricultural and social service work, that although these had on more than one occasion provoked the strictures of unofficial members of the Legislative Council, we saw no evidence in the Visitors' Books of any widespread tendency upon their part to inspect or look over such institutions; and further inquiry assured us that such, in fact, was not their practice.

To its great credit, the Donoughmore Commission attempted to solve the constitutional deadlock by going forward, not back, and its proposals were accepted by the British Government. The divorce of power from responsibility, the Commission proposed, should be remedied by the fusion of the legislative and executive councils in a single State Council. There was to be a Board of Ministers—ten in all—to be responsible for the various departments of government, of whom seven were to be elected members of the Council. These seven were to be chairmen of the committees into which the State Council was to divide for executive purposes.

Universal Suffrage

The problem of communalism, it recommended, should be dealt with no less drastically. Communal representation, as introduced by the earlier constitution, had intensified communalism instead of appeasing it. The Commission accordingly recommended that it should be abolished and boldly proposed instead the grant of more or less universal suffrage. There were to be no property or literary qualifications—except for Tamil immigrants—and the electorate was in consequence increased from about 200,000 male voters to about 2,000,000, of whom some 650,000 were women. In 1938, seven years after the new constitution was granted, the number of registered electors was 2,486,412, of whom 1,370,657 were males and 1,115,755 were females; this was 43 per cent of the total population, a proportion far and away higher than in any other part of the colonial empire.

The Donoughmore Commission nevertheless frankly recognised that by itself the extension of the franchise on a national basis would not obliterate communalism. It hoped rather that the combination of universal suffrage and a large measure of responsibility in national administration would eventually encourage wider loyalties and sympathies. But in the meantime it still regarded communalism as an obstacle to the grant of full self-government, and it accordingly recommended that the Governor should have special powers to protect the rights of the smaller communities. It was in this respect that the Sinhalese immediately found fault with the new constitution. They complained that the Governor's powers of declaring Bills to have the force of law, even though they had not been passed by the State Council, and of prohibiting legislation, were not being used only in the cases of paramount importance envisaged by the Donoughmore Commission. Nor did the amended Order in Council of 1937 help matters, for it laid down that the special powers could be used to carry out "the essentials of good government." Another point at issue was the limited control over finance exercised by the State Council; under the previous constitution the Legislative Council has had complete power of the purse—though without the responsibility for spending.

In the last five years, therefore, there has been considerable pressure in favour of a revision of the constitution. Moreover, it appears that the Governor in this period, Sir Andrew Caldecott, has approved of some of the proposals for reform put forward by the Ceylon National Congress. In a despatch to the Secretary of State published at the end of 1938, he suggested the abolition of the executive committees of the State Council and of the Board of Ministers and the introduction of a normal Cabinet system. He also stated that, in spite of the Donoughmore Commission's hopes and aims, communalism had increased to some extent; but he urged that the territorial basis of representation should be retained, at the same time proposing that members of minority communities should be given better opportunities to gain seats, possibly by the revision of the electoral areas.

War broke out before any decision was taken on this despatch, which was supported by the State Council—with the addition of a proposal that there should be some curtailment of the Governor's powers. Since then there have

been demands by the Ceylon National Congress for full Dominion status, and also, in October, 1941, a statement by the British Government that, before proceeding further with the reform of the constitution, it would desire a further examination of the position by a commission or conference, which would be undertaken as soon as possible after the war. To this the Ceylon National Congress replied that it was not seeking reform, but a statement that Ceylon would be granted full Dominion status immediately peace was declared.

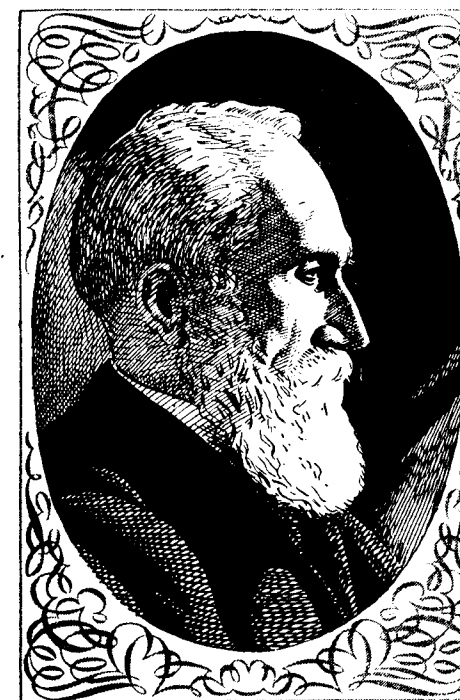
Last week's declaration by the British Government did not promise that. What it did was to give the Board of Ministers a clear expression of the Government's intentions regarding constitutional reform. In matters of defence and external relations, the Governor will be given powers to carry out the directions of the British Government. The classes of reserved Bills—requiring the independent assent of the Governor—will be "largely reduced"; but they will include, besides those relating to the rights and property of British subjects not resident in Ceylon and to currency, those which evoke serious opposition by any racial or religious community, and which, in the Governor's opinion, are likely to involve oppression or unfairness to any community. Within these stipulations the British Government will examine by commission or conference any constitutional proposals formulated by the Ministers, provided that they have been approved by three-quarters of the members of the State Council.

It is not likely that this declaration will be greeted with enthusiasm by the Ceylon National Congress. But, in view of the existing conditions, how could the British Government make any other? Ceylon is still not a nation, and the very most its politically conscious inhabitants can expect to achieve in the near future is self-government of the sort obtained by Southern Rhodesia. The declaration shows that the British Government is indeed anxious that this should be achieved. But anything more would almost certainly be doomed to failure. The history of Ceylon's constitution seems, it is true, to have been marked by failure already. Even the promising and interesting Donoughmore experiment has not had the success hoped for. But unlike Newfoundland, unlike Malta and unlike Cyprus, Ceylon has never had a constitutional setback. From each apparent failure the next step has always been forward. No better proof that the promise of self-government to a British colony is a very real thing can perhaps be found than in the story of Ceylon's slow, halting but unmistakable constitutional progress in the last twenty years.

Books Received

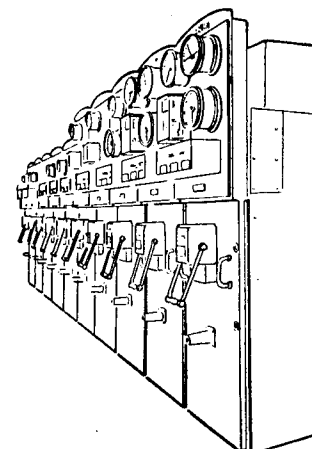
- War-Time Pattern of Saving and Spending.* By C. Madge. National Institute of Economic and Social Research. Occasional Papers IV. (London) Cambridge University Press. 139 pages. 6s. net.
- Pillars of Security.* By Sir William Beveridge. (London) Allen and Unwin. 216 pages. 6s. net.
- Wartime "Prosperity" and the Future.* By W. C. Mitchell. (New York) National Bureau of Economic Research. 40 pages. 35 cents.
- Income Size Distributions in the United States—Part I.* By the Conference on Research in Income and Wealth. (New York) National Bureau of Economic Research. 131 pages. \$1.00.
- Trade Regulations and Commercial Policy of the United Kingdom. Economic and Social Studies III.* National Institute of Economic and Social Research. Cambridge University Press. 275 pages. 15s. net.
- German Home Front.* By W. W. Schütz. (London) Gollancz. 312 pages. 10s. 6d. net.
- PENGUIN SPECIALS.
- Young Citizen.* By A. E. Morgan. 192 pages.
- What About Business?* By J. Gloag. 96 pages.
- The German Lebensraum.* By R. E. Dickinson. 223 pages.
- Fairplay's Annual Summary of British Shipping Finance.* (London) "Fairplay" Weekly Shipping Journal, Palmerston House, Bishopsgate, E.C. 2. 564 pages. £1 1s. 6d., post free.
- Plan for Britain.* By G. D. H. Cole and others. (London) Routledge. 127 pages. 6s. net.
- Prospects and Policies.* By the Rt. Hon. H. Morrison. (London) Cambridge University Press. 45 pages. 6d. net.
- Food and Farming in Post-War Europe.* By P. Lamartine Yates and D. Warriner. (London) H. Milford. 118 pages. 3s. 6d. net.
- Economic Reconstruction. Vol. I.* By J. R. Bellerby. (London) Macmillan. 396 pages. 21s. net.

BENEFACTORS OF MANKIND



KELVIN (1824-1907)

Thermo-dynamics and electricity comprise the two main branches of the work of this great man, and he made mathematics the handmaid of both. It was written of him "He must measure—he must weigh—in order that he might go on to calculate."



Accuracy

THE laying of the Atlantic Cable will always be associated popularly with the name of Kelvin. This was the most spectacular, but by no means the most important of his achievements. His vast powers of mind were brought to bear upon diverse scientific problems such as telegraphy, navigation, electric lamps and electrolytic processes, and he evolved the theory of electric oscillations, the basis of wireless telegraphy. To these problems he applied systems of accurate measurement combined with profound vision, and his discoveries have had a lasting influence upon electricity. Upon the principles of Kelvin our own development has been largely based and our standard of accuracy achieved.

The
BRUSH

ELECTRICAL ENGINEERING CO. LTD.
LOUGHBOROUGH, ENGLAND.

TURBO-GENERATORS, TRANSFORMERS, E.H.T. and M.T. SWITCHGEAR, A.C. and D.C. MOTORS and GENERATORS, CONVERTORS, ELECTRIC TRUCKS, BUS and COACH BODIES

Germany at War

Food Changes

ON May 31st, the weekly meat ration for all categories of consumers in Germany was reduced by 100 grammes (3.5 oz.). This is a very heavy reduction. The normal consumer, as distinct from the special categories of workers who receive larger rations, will now get as little meat as in 1918. It would be wrong, however, to assume that the food situation in general is yet as bad as in the last year of the last war. Until April, 1942, food rations in Germany hardly changed. But the monthly variations, according to the seasons, indicated a gradual shift to foodstuffs of greater bulk and lower quality. During the last 12 months, the deterioration has been marked. There is now a more pronounced shortage of animal as well as vegetable proteins and fats. Apart from potatoes, which provide the bulk of the diet, the rations of the three most important foodstuffs have been as follows for normal consumers:—

	WEEKLY RATIONS				
	Aug./ Sept., 1939	Oct., 1939, to March, 1942	April, Oct., 1942	Nov., May, 1943	May 31, 1943
Bread, in lb.	5½	5	4½	5	5½
Meat, in oz.	17.6	14.1	10.6	12.3	8.8
Fats, in oz.	9.5	9.5	7.3	7.3	7.7

The latest reduction in the meat ration has been accompanied by a very small increase in bread and fats; and, during the summer months, the so-called *Naehmittel* rations, mainly barley, offal, potato flour and rice, will be substantially increased. At the same time, millet will be available which is now recommended to housewives as "the basic food of our Germanic ancestors." The table shows that the meat ration is now only 64 per cent, and the fat ration 87 per cent, of the quantities supplied during the period from October, 1939, to March, 1942. The bread ration is very slightly bigger. Since the beginning of the war potato consumption has almost doubled, and the consumption of vegetables is estimated to have increased by roughly 65 per cent. The Nazi authorities are therefore right when they claim that the supply of foodstuffs measured, deceptively, in terms of calories has not decreased. But if the actual composition of the present German diet is analysed it becomes clear that the nutritional value of the total ration for the normal consumer has now been reduced to the consumption of the lower income classes at the beginning of the war.

Compared with 1917-18, there are, however, remarkable differences. First of all, it can safely be assumed that the *Wehrmacht* is still adequately fed. The modern knowledge of vitamins, new methods of drying vegetables, research in the food requirements of soldiers, and the fact that the *Wehrmacht* has a privileged position in the hierarchy of the totalitarian state mean that soldiers will remain to the last moment the best-fed part of the population. Civilians are divided into categories according to age and the importance of their work in the war economy. Prisoners of war and the so-called "East workers" receive totally inadequate rations. Among the workers, rations differ according to the nature of their work and the length of their working hours. Here, too, rations for heavy and heaviest workers are far better than in 1918.

There is virtually no single item that is not rationed or obtainable in restaurants and canteens without coupons. Vegetables and fruit are a baffling problem. No points system is workable in these instances, and the simple prohibition of direct selling by the producer to the consumer is not foolproof. Very heavy penalties have recently been inflicted on producers selling directly to consumers, and a great effort is being made to requisition the entire crop this season. But it seems that the necessary manufacturing capacity—jam factories, refrigerator plants and canning factories—is not sufficient to make full use of that part of the crops that exceeds direct market requirements. The preserving of vegetables and fruit by individuals appears to have reached a limit because of the lack of jars and other materials, and the conscription of housewives for war work.

Total rationing in Germany has become wasteful mainly because of bureaucratic rigidity, the lack of storage capacity, and transport difficulties. The redistribution of the population, because of the concentration of war industries in new areas, the evacuation of children, and the general instability

of war conditions, demand correspondingly greater flexibility in the distribution of foodstuffs. The rigidly fixed zones of food supply have to be changed frequently with consequent local shortages or surpluses. The food processing industries, which before the war depended mainly on imported raw materials, have been completely changed. Out of 185 margarine factories, only 49 have been left, which, moreover, cease production during the summer months. Imported whale oil and oilseeds have been replaced by lard, tallow and new oilseeds, as, for example, sunflower oil, which were hardly used before the war. Changes in manufacturing processes and even in machinery have been necessary. An interesting example of the shifting emphasis in Germany's agricultural industry is the increase in the manufacture of butter from 450,000 tons before the war to more than 700,000 tons in 1942. Yet the total output of milk seems to have declined. Milk formerly supplied to towns or used by the peasants is now almost all delivered to dairies. No fresh milk is supplied to normal consumers. The increase in butter production has made it possible to maintain the meagre fat rations, but the subsequent lack of skimmed milk has contributed to the rapid decline in the number of pigs.

On the face of it, Germany has kept the bread ration remarkably stable. But there has been a profound change even here. Bread is an important source of protein, and the change-over from wheat to more rye, and then to the inclusion of barley, has diminished the supply of protein, which is highest in wheat. The baking industry has had to alter its practice in accordance with the changing mixture and the higher extraction of the flour. Large bakers have been favoured, and many small bakers have not been able to cope with the difficult problem of adapting themselves. Bread and potatoes before the war provided roughly 45 per cent of the total intake of calories. This percentage may now have risen to nearly 70 per cent. A highly industrialised population cannot for long exist on such a diet, which is characteristic of a predominantly agricultural population. Naturally, the argument that it is more economical to eat cereals directly instead of converting them into meat and fats through the stomach of pigs, cattle, poultry and sheep has been a mainstay of Germany's agricultural propaganda before the war. Since 1941 the problem has taken on another aspect. Cereals and potatoes formerly used for fattening pigs have had to be diverted to human consumption, and the deficiency in feeding stuffs because of the blockade has become so pronounced that the number of pigs had to be drastically reduced during 1942. The immediate result was a temporary increase in meat supplies. This is the real reason why the meat ration was partly restored last October. At the same time, it was hoped that greater supplies of feeding stuffs could be imported from occupied Russian provinces. These hopes have been disappointed. The surplus of meat from the heavy slaughter of pigs has been consumed; and the meat ration has now had to be reduced to the level of 1918 for a reasonable supply of cereals and potatoes to be maintained during the new agricultural season. In March, 1918, the number of pigs in Germany had fallen to 22.5 per cent of the number in 1914. It may be assumed that during this war there has been a reduction to at least 50 or even 40 per cent. In 1917-18, the great lack of feeding stuffs subsequently forced peasants to slaughter not only cattle, but also dairy herds. At present there are many signs that the slaughter of cattle is growing from the same reason. The only difference compared with 1917-18 is that the slaughter is organised, and that the temporary increase in meat supplies is carefully husbanded.

There is no relief from the inexorable deterioration of Germany's food situation. The greater part of the occupied countries can no longer supply any appreciable quantities of foodstuffs beyond the provisioning of the armies of occupation. The lack of feeding stuffs has become universal on the whole continent. Only a bumper crop in cereals and potatoes would enable Germany to stop the decline of the livestock population. It may be possible to maintain the present rations for another year, with a number of countries already reduced to a near starvation level. No serious defects resulting from the wartime diet have been reported so far from Germany. For generations a considerable part of the population existed on a diet not very different from the rations that are now available. It can, however, safely be said that a further reduction will certainly lower the standard of efficiency, already gravely impaired by the dilution with foreign workers and women.

Russia at War

Agriculture and Food

THE sowing in Russia has been concluded, and food prospects will largely depend on its results. This has probably been the most difficult agricultural campaign for the past two decades; and, unfortunately, no optimistic view can be taken of its results. For a number of reasons, which reflect the cumulative effect of the war on Russian agriculture, this year's crops are almost certain to be substantially below the average. The sown area is smaller than ever, even if the Ukraine and the other German-occupied territories are left out of account; the inevitable deterioration in agricultural technique has become more accentuated; and some very important grain-producing areas are confronted this year with the danger of a drought.

The Commissariat of Agriculture fixed the acreage for this year's sowing at a limit "exceeding by 16 million acres the area harvested in 1942." The emphasis here is on the word "harvested," as last year vast areas in the Northern Caucasus and on the Don steppes were sown but not harvested. The battles of 1942 raged over an area of some 55-60 million acres of cultivated soil. Only a fraction of the farming area in the South has been rehabilitated during the few months since its recapture by the Russians. A sober realisation of the position was reflected in the statement made by M. Krutikov, chairman of the Soviet delegation to the Allied Food Conference:—

The restoration of agricultural production in the regions which have suffered from German occupation will demand considerable time, great effort and funds.

The Drought Danger

In the other regions, the position varies very much all the way from Siberia to the Volga. The grain centres on the middle and lower Volga and in Kazakhstan are very vulnerable to drought. The average rainfall there is only about 15-16 inches per annum; and the country is exposed to scorching winds from the Asiatic deserts. The early spring this year has resulted in a smaller rainfall than usual. The Soviet press has warned the farmers to prepare in time for the contingency of drought. Loosening of the soil and very deep ploughing have been strongly recommended; and the press has recorded complaints from farmers who have been handicapped in doing this by insufficiency of implements. The farms on the Volga are now the only producers of grain surpluses in European Russia. Drought there would mean that the whole of Russia would become largely dependent on Siberia for its bread supplies. The significance of such a possibility can be properly understood only if account is taken of the transport difficulties which would become even more aggravated than they are by such long hauls of grain. The northern parts of European Russia and the Transcaucasus usually have a grain deficit amounting to about 50-60 per cent of their consumption; the normal deficit for central Russia used to be 15 per cent of its minimum needs. All those gaps used to be filled by the surpluses of the northern Caucasus and the Volga. A drought might make the food position in those provinces extremely critical. Another important circumstance is that, to the east of the Volga, spring wheat and spring rye—the sorts of grain which are most vulnerable to drought—still form the bulk of the crops, in spite of many successful attempts to switch over to winter cereals.

The various ways in which the deterioration in agricultural technique has affected the position have frequently been discussed in *The Economist*. All that can be added now is that the state of affairs in the machine tractor stations does not seem to have improved. The measures adopted early in the year to effect a reorganisation in the machine and tractor services have achieved only partial success. Mobile repair shops have not been set up everywhere; and the lack of spare parts, as well as the shortage of skilled drivers and engineers, have caused more frequent and longer breakdowns during field work.

The position in regard to cattle has been fluctuating. During the first months of 1942, there were great losses, resulting from lack of care for evacuated cattle and the slaughter of young animals. A series of decrees prohibiting slaughter had its effect; and during the summer of 1942 conditions improved. During last winter complaints again became more frequent. Lack of buildings and shortages of fuel apparently brought about some further deteriora-

tion. *Pravda* wrote recently of "infertility among the breeding herds and mortality among young cattle in many farms." Still, the "overall" results are said to be satisfactory. From January 1, 1942, to January 1st this year the number of large-horned cattle, sheep and goats on collective farms is reported to have increased by 11 per cent. It has not been stated, however, whether or to what extent this was due to the evacuation of cattle from the west. A deterioration in the age composition of the cattle has been admitted as well as a slight decrease in the total number of hogs. No figures have naturally enough been published about horses; but it is clear that a very massive depletion of the stock has been unavoidable.

The cereal position is decisive for the general food situation. Normally, 70-75 per cent of the calories in the diet of the Russian people were provided by cereals. Since the war the average civilian diet has almost entirely consisted of bread and potatoes. For the Russian people the change has hardly been a drastic one; and as long as bread and potatoes can sustain the customary standard the position can still be regarded as tolerable. The crucial question is whether the third wartime harvest may not reduce the bread and potato diet below the minimum.

It is nearly impossible to give a general picture of the Soviet rationing system. Formally, there is a system of differential rationing with three different categories of rations. As a rule, however, the Soviet citizen depends not so much on the nominal ration as on the supplies that are available at any particular moment and on the produce of the kitchen garden. Food supplies have been extremely decentralised. Conditions vary from factory to factory in proportion to the efficiency of the factory's farm and its supply department or canteen. The private allotments of workers and employees cover an area of one and a quarter millions of acres. The rush to work on private allotments and factory farms became so great that it threatened to interfere with the normal work in the industrial establishments, and the Trade Union Council had to point out that workers were not allowed to grow food during normal working hours.

The Army in Russia, like the Army in Germany, is by far the best fed section of the population. In the first world war Army supplies were the object of boundless speculation and profiteering. The soldier was as a rule worse off than the civilian; and this was one of the chief factors in the Russian breakdown in 1917. The present position is incomparably better in this respect. Even so, Army rations behind the front lines have been cut several times—only in the fighting lines have the original rations been more or less maintained.

Supplies from Overseas

It was significant that the Soviet delegate to the Allied Food Conference, in his plea for food for Russia, specifically mentioned the needs of the Army. It seems that the bulk of Lend-Lease food supplied is being allocated directly to the fighting Forces. Changes in the composition of Lend-Lease deliveries to Russia show that food has gradually come to occupy the same category of priority as weapons and munitions. At first, food items made up only a small proportion of the deliveries. They grew in bulk towards the end of last year. Up to the beginning of this year, nearly half of the total food deliveries from the United States were meat and domestic fats. More recently grain is reported to have figured prominently, and further increases are envisaged. Part of the grain supplies will undoubtedly be diverted to feed the civilian population in the borderlands in the north and in the south. These happen to be the deficit areas; and the distribution of imported foodstuffs there will not involve any special strain on the railways.

It is worth while stressing the fact that the first official and public Soviet statement on post-war economic policy has been made in connection with the food position. At the Hot Springs conference, M. Krutikov stated that:

the Soviet Union will need long-term credit to accomplish the programme for importing food and other essential agricultural products.

This statement can very likely be regarded as indicative of the essential trend of Russia's trade policy after the war. In a sense, this is the first public renunciation of autarky in favour of economic co-operation, and the food position has been a major factor working in this direction.

THE BUSINESS WORLD

Heavy Industry Shares

RECENT activity in the shares of companies operating in the heavy steel and engineering industries is a logical development of Stock Exchange trends since Dunkirk. Ever since the brief period in May and June, 1940, when psychological rather than investment factors governed the markets, investors have been prepared to take quite considerable chances with shares having a "post-war recovery" appeal and has steadily refused to buy industrial equities whose status seemed assured "for the duration" only. Positively, this tendency has been exemplified by the relatively high prices (in relation to current dividends) achieved and maintained by shares of certain London stores, public utility enterprises generally, companies in consumers' goods industries, and even rubber plantation concerns after the first shock of Japan's conquests—in most instances, that is to say, where current earning power has been impaired or destroyed by enemy action or wartime Government regulation, but prospects of post-war rehabilitation are reasonably good. Negatively, the same tendency has revealed itself in the investor's marked distrust of the shares of aircraft companies and other concerns whose rapid expansion, indispensable to the war effort, has been regarded as a measure of their post-war transitional problem, and in the conspicuously high yields obtainable on marginal home railway stocks whose dividends are virtually Government-guaranteed—but only for the life of the wartime rental agreement. Ordinary share prices as a whole have approximately doubled since the fall following the collapse of France. *The Actuaries' Investment Index* of industrial ordinary share values has risen from 38.9 at the end of June, 1940, to 75.1 at the end of April, and the average yield on the constituent securities has dropped from 9.01 per cent to 4.38 per cent. For the greater part of the time, however, "recovery" shares have been in the van of the rise, and the others have caught up more slowly, as the fall in yields generally has impelled investors to search the markets' highways and byways for income during a period of low interest rates in a closed capital market.

Investment criteria, however, are always relative, and investors, inevitably, have been disposed to assess the post-war prospects of "war effort" companies more highly and their peacetime transitional difficulties more leniently, at a time when the yield on ordinary shares as a whole has been little more than 1 per cent above the gilt-edged yield (or a half of 1 per cent after income tax) than in earlier days, when the margin was anything up to 5 per cent. No section of the market has benefited more from this involuntary reorientation of ideas than that which includes the shares of companies using iron and steel for the manufacture of munitions, ships and machinery. Earlier, these were indubitably like the dog with a bad name. Investors could not forget the association between the stimulus to plant expansion given to many of these companies during the last war and the drastic capital reconstruction schemes of the 1920's. Nor were investors apt to under-emphasise the difficulties the heavy industries were likely to encounter in re-establishing their export trade after the war. More recently, however, the tone of market comment has changed significantly. Stress has been laid increasingly on the more favourable features in the heavy industrial picture—the generally favourable EPT standards of the companies concerned their assured wartime position in the matter of labour and raw material supplies, and the advantages which their strong financial position is likely to give them in coping with post-war difficulties when the time came. Over the past year the rise in the price of, for example, the iron and steel shares in the *Actuaries' Index* has been appreciably more rapid than that of equities in general.

Perhaps the greatest influence in this change of emphasis, however, has been the fact that heavy industrial dividends have shown considerably more elasticity during the war than was generally expected. Recently, they have been tending to rise at a time when the generality of dividends appear to be stabilised for the duration. Possibly, the market under-estimated the effect of the tying up of EPT standards with "capital employed in the business" in a group of

industries which is going all out to meet Government demands. Certainly, the latest earnings and dividend figures of most heavy industrial concerns are considerably above the average of the last ten years, and not very far from the highest achieved during the pre-war boom. The following table, which includes a representative selection of companies covering many of the most important branches of the trade, is instructive:—

"HEAVY" INDUSTRIAL COMPANIES: TEN YEAR RECORD

Company		Percentage on Ordinary Capital				Present Price (and Yield %)
		Highest	Lowest	Average	Latest	
Allied Ironfounders	{ Earned Paid	19.8 12.5	Nil Nil	11.1 8.4	19.8 12.5	47/6 5.26
Cammell Laird	{ Earned Paid	28.7 10.0	Nil Nil	15.2 6.7	28.4 10.0	9/- 5.56
Dorman, Long	{ Earned Paid	23.3 10.0	Nil Nil	10.0 5.1	14.7 8.0	27/6 5.52
Guest, Keen & Nettleton	{ Earned Paid	11.6† 7.5†	Nil Nil	6.4† 4.1†	7.6† 5.0†	33/- 3.03†
Stewarts & Lloyds	{ Earned Paid	27.6 12.5	6.2 2.5	18.2 9.5	21.2 12.5	50/6 4.95
United Steel Cos.	{ Earned Paid	11.8 10.5	2.0 Nil	8.9 7.1	9.0 8.0	26/7½ 6.01
Vickers	{ Earned Paid	22.0 10.06	4.1 4.0	16.8 8.8	21.1 10.0	19/6 5.15

† Free of Tax. (a) 15.1% and 10% before tax, respectively. (b) Cash dividends; for 1935, a capital bonus of 50% accompanied a cash dividend of 8%.

The conclusions suggested by this sample of results are, first, that earning and dividend-paying power has suffered no serious setback since its somewhat spectacular recovery from the depression of the early 1930's, and, secondly, that present dividend policy is usually highly conservative. Post-war refunds of EPT should, with these companies, be over, rather than under, the average. But, without prejudice to future help from this quarter, directors are maintaining a deliberate policy of ploughing back current earnings on a large scale. The bearing of this on post-war problems is obvious. Even if a sizeable part of "reserved" profits is, in fact, being used to finance the capital requirements of increased wartime output, the industry is, to that extent, avoiding the laying-up of post-war rods in pickle. The fundamental weakness of many heavy industrial concerns in 1918 was that their wartime expansion had been largely financed by bank loans, which had later to be funded in a period of excessively high interest rates.

Indeed, without under-estimating the transitional difficulties which many of these companies will have to meet in due course, it can be said with fair confidence that these will be far less subjective, and far more objective, this time than last. They will arise, not so much from structural weaknesses in the industry itself as from the problems of its post-war environment. So far as factors within the companies' own control come into the equation, deductions drawn from the last war may be definitely misleading. Then, there was a 50 per cent increase in steel-making output and capacity. Now, though the figures are confidential, it is known that the wartime increase has been not in production as a whole, but in certain special steels. And here a good deal of the plant expansion has been on account of the Government, and not of the industry at all. The war came at a favourable psychological moment for the heavy industries, when managements had had sufficient time to pile up fairly formidable resources, but not to forget the hard lessons enforced by long years of adversity.

At present market prices, the yields on most of the leading industrial equities range between 5 and 6 per cent—the figure for the "iron and steel" companies in the *Actuaries' Index* is 5.5 per cent, against a mean for all industries of under 4.4 per cent. The difference represents a moderate—but only a moderate—discounting of the environmental difficulties the industry is likely to meet after the war.

Obviously, it should be well placed in the initial reconstruction period, when world demand for steel products may exceed its production capacity, and most branches of the industry are likely to stand high in the priority list under a modified system of Government controls. For the reasons already stated, the sword-to-ploughshare metamorphosis is unlikely to produce the stresses and strains within the industry that it did last time. After that, almost everything depends on the sort of structure which world statesmen evolve after victory. If the post-war economy, over the five continents, is half as expansive as the United Nations spokesmen now assert, there will be a continuing demand for steel and its products, of which this country must the more strenuously endeavour to secure its due share because of its indispensability in the rebuilding of our export trade position.

But this result will not follow by itself. Undoubtedly, the technical efficiency of the heavy industries has increased under the stimulus of war. There have been operating economies, advances in mass production methods and equipment, and a great deal of successful research into the manufacture and utilisation of new products, particularly new alloys. These developments should permit a substantial lowering of costs. But other steel-producing and steel-fabricating countries have had similar advances, and purely technical efficiency can be thrown away if it is not accom-

panied by the economic efficiency that is bred by the determination to sell the largest possible quantities at the lowest possible prices. It is on this score that there is chief room for apprehension about the future of the British heavy industries. If their policy is to be that of seeking protection for high costs of production, then it cannot be remunerative in the long run to investors. No form of international division of the market (apart altogether from the public interest in the matter) can for long protect the high-cost producer from the competition in third markets of more efficient countries, for the simple reason that these more efficient countries will not for long be content to be balked of markets which they could fully occupy. And as for domestic protection, high prices in the heavy industries would be more potent than any other single factor (save, perhaps, dear food) in preventing that rapid expansion of the British national economy which must be, in the long run, their main reliance.

Those who buy heavy industrial shares at present prices are, in effect, declaring their confidence that the post-war policies of those industries will be those of cost reduction and maximum economic efficiency. It is not a prognostication for which there is very much visible evidence, and until he is satisfied on this point the prudent investor will regard the shares of companies in these industries as attractive only for the short period of the immediate post-armistice years.

Finance and Banking

Unseasonal Tightness of Credit

Though the return of large notes did not last week prevent a slight rise in the note circulation, the net withdrawals of £1,464,000 were only one-third those in the corresponding week of 1942. The note efflux has been a negligible factor in the credit situation. Bankers' deposits have come down with a run from £174.1 million to £140.3 million, this movement having its chief counterpart in a decline of £20.2 million in Government securities, and an addition of £14.0 million to public deposits. This immobilisation of credit confirms what was already apparent, that the Government's floating debt borrowing has been pitched rather high having regard to the heavy inflow of subscriptions to Government loans. Thus, the week's Treasury bill offer and TDR call show a combined excess of £5 million over nominal maturities, and a considerably greater excess over effective maturities. The latest figures of "large" and "small" savings, on the other hand, show a combined total of £65 million, compared with a current deficit of only £48 million. It is hardly surprising that even the payment of the War Loan dividend failed to produce the return to abundant credit usual in the early days of June. The demand for money was accentuated by the market syndicates high Treasury bill quota of 46 per cent, the third large allotment in succession. Over the past six weeks the outstanding tender issue has been increased by £90 million, this being one reason for the decline of £60 million in Treasury deposits receipts shown by the May debt return. Though this increase in tender bills was expected to lead to a rapid restoration of the bank's depleted bill portfolios, clearing bank demand has, in fact, been on a restricted scale (owing to Wings for Victory weeks), and the market has in consequence had to finance a large share of the additional bills.

UDT and the Discount Market

Consolidation of the discount market into larger units is carried yet another step forward by this week's announcement that the United Dominions Trust has taken a substantial interest in Messrs Ryder, Parker and Company, whose name is now changed to Ryders Discount Company, Ltd. Originally established in 1903, the discount market business was registered in June, 1934, as a private unlimited company, which is understood to have had resources of some £250,000. Ryders Discount Company is a private limited company with a capital of £750,000 in £1 shares, fully paid. It would thus appear that the investment of the United Dominions Trust in the company amounts to

£500,000. Whereas discount market consolidation hitherto has proceeded mainly through amalgamations and absorptions, the present operation represents a fresh infusion of capital into the discount market on a very substantial scale. At first sight, it may seem rather striking that a hire-purchase concern, which in normal times is a user of short-term capital, should be acquiring an interest in a concern whose purpose is to arrange short-term finance. The hire-purchase concern does not, however, place its own acceptances in the market, but is seen only as a drawer under acceptance credits granted by merchant banks. The market for such paper is obviously not affected in any way by the present deal, and it is understood that the placing of UDT bills will not even be canalised through the discount company, whose management, incidentally, remains unchanged. The participation of United Dominions Trust must, in fact, be regarded simply as an investment like any other. The trust clearly takes a confident view of the future of the market. Judged by experience after the last war, the post-war years should certainly bring abundant opportunity for operations in short-term bonds, whatever view may be taken of the functional importance of the bill market in the financial machinery. At the present time, fresh avenues for the employment of the Trust's capital must clearly be very welcome in view of the shrinkage in hire-purchase business generally, reflected in a decline in bills receivable from £6,521,000 in June, 1939, to no more than £1,071,000 in June last.

Bombay Bans Forward Bullion Deals

The recent prohibition by the Bombay bullion market of forward dealings in silver for the June settlement has now been reinforced by an official "Defence of India" rule, providing that no person shall enter into any form of forward contract or option in bullion at all. Though the ban on forward dealings is clearly intended to restrain the rise in bullion prices, its immediate effect has been precisely the opposite. From the recent peak of Rs.138 3a on May 17th, spot silver had reacted to Rs.119 8a on May 28th, while over the same period the price of gold dropped from Rs95

ROBSON, MORROW and UNDERWOOD wish to engage a first class accountant, Chartered Accountant or equivalent with wide executive experience, who can be trained as an Industrial Consultant. Four figure salary and excellent prospects. Mark envelope "Application." Full particulars to Robson, Morrow and Underwood, Victoria Station House, Victoria Street, London, S.W.1.

10a to Rs.77. There has since been a recovery to Rs.127 and Rs.87 for silver and gold respectively. The suspension of forward dealings would be likely at first to accentuate the tightness of the spot position in two ways: by causing covering of forward commitments, and by removing the incentive to "lend" metal to the market by a spot sale covered by a forward purchase. On May 17th, for example, silver for the May 26th settlement was quoted at a discount of Rs.2 under spot, offering a profit to holders of some 60 per cent per annum. The fact that all dealings are now for cash payment, on the other hand, should have a damping effect on speculation, though this will be lessened by the generally inflationary situation in India. For the really long view, of course, when imports of the metal will again be possible, operators have to bear in mind that the US Treasury's buying price for foreign metal remains unchanged at 35c, whereas current prices in India are far above parity with the New York market price of 43c.

Financing Expenditure

The following table summarises the Exchequer returns to date (May 29th) and shows the respective shares of revenue and borrowing in meeting expenditure:—

£000			
Total ordinary expenditure...	933,394	Total ordinary revenue.....	372,051
New Sinking Funds.....	1,278	Loans raised:—	
Loans repaid:—		3% Def. Bonds (net).....	27,706
Bank of England Adv.....	6,500	3% Savings Bonds 1960-70	103,265
Public Dept. Adv.....	49,170	2½% Nat. War Bds. 1949-51	9
Miscellaneous issues.....	2,535	2½% Nat. War Bds. 1951-53	149,210
Increase in balances.....	279	3% Terminable Annuity ..	120,000
		Nat. Savings Certs. (net) ..	54,450
		Tax Reserve Certs. (net) ..	37,354
		"Other debt," internal ..	1,969
		external ..	311
		Floating debt (net):—	
		Treasury Bills	112,331
		Treasury Deposits	14,500
	£993,156		£993,156

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

Receipts from Bills and Cheques

A question put in the House of Commons has again elicited from the Chancellor of the Exchequer the information on stamp duties from bills of exchange and cheques which, prior to the partial statistical black-out, could be obtained year by year from the annual reports of the Commissioners of Inland Revenue. The relevant data for each of the past five financial years is as follows:

NET RECEIPTS FROM STAMP DUTY (in £000's)			
	Cheques	Bills of Exchange and Promissory Notes	Bankers' Bills and Notes
1938-39	3,914	518	98
1939-40	3,910	417	103
1940-41	3,242	214	120
1941-42	4,193	149	141
1942-43	3,325	114	182

The exceptional fluctuations in receipts from stamps on cheques require special explanation. The slump in 1940-41 was due to the destruction of large quantities of cheques in the air raids of that year. The subsequent recovery reflects the reconstitution of the banks' depleted stocks. To get a proper perspective of the changes in the amounts of cheques used over the past five years, it will probably be best to take a moving two-yearly average of the figures for 1940 to 1943. The slump in the volume of bills of exchange drawn in this country is well illustrated by the above table. Assuming the average currency of bills drawn to be three months, and taking the duty on bills at 1s. per cent, the volume of commercial paper outstanding can be calculated to have fallen from £259 million in 1938-39 to £74,500,000 in 1941-42 and to £57 million in the year ended last March. This drop fully corroborates the experience of the discount market, where the commercial bill has become a very rare bird. The steady increase in receipts from bankers' bills and notes reflects the expansion in the Scottish banks' note issue, which is by far the most important contributor to this item of stamp duty receipts.

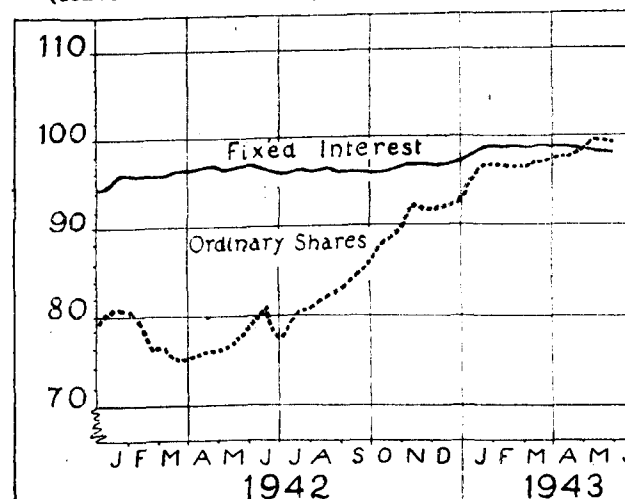
Investment

Moderate Movements

Although there was a steady decline in the equity index of *The Financial News* between May 12th and 28th, there was a net improvement against April 30th of 0.5 points to 99 per cent of the value on July 1, 1935. A year ago the rise, although described as modest, was more than five times as great. A large part of it was due, however, to the first two "thousand bomber" raids. This year, raids of much greater importance occur two or three times a week without causing any visible deviation in the course of the index. On the first business day of the month, the equity index rose above the fixed interest line, apparently for the first time since early February, 1938. At that time, the level was some six points lower, but, on this occasion, the two figures were within 1.3 per cent of their base. As will be seen from the accompanying chart, the two curves have been running roughly parallel

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



for about a fortnight. The equity index is designed to be hypersensitive. But, on this occasion, the net movement is no greater than that shown by the much more comprehensive *Actuaries' Investment Index*. Between the last Tuesday of May and four weeks earlier, this rose by 0.6 points, or about 0.8 per cent, to a new high for recent years of 75.7. For the most part, the movements on the month confirm the impression that prices in general have been very little changed, but among industrial equities there have been rises of over 5½ per cent in coal shares, of nearly 4 per cent in gas stocks, and of an equal amount in oil shares. Elsewhere, a further recovery of 3.6 points to 104.1 puts insurance shares back to the level of mid-December last. In the whole equity list, there are four falls, the largest being well under 1 per cent in cotton shares.

Industrial Prior Charges Weak

It is evident that the process of levelling down yields is still going on among equities. The yields on coal and predominantly war industrials, including railways, are still well above average, but, whereas a year ago the range between the highest and lowest yields was one and a half times the yield index for the whole group, it is now scarcely greater than the much reduced figure of the index. The established improvement in equities has continued for another month, if at a much reduced rate, but in fixed interest stocks the recent trend has been reversed. This happened for home corporations two months ago and for 2½ per cent Consols during April. Now, there is a definite fall in all industrial preferences and in distributive and miscellaneous industrial debentures. Only investment trust senior stocks continue to rise. Incidentally, the trustee securities in this index show a net fall on the month, but that position might have been reversed if the closing days had been included in the calculation. The figures of this index are based on end December, 1928. If they are con-

verted to June 25, 1935, the nearest date to the base of *The Financial News* index, the showing for industrials is 97.7 for equities, 101.8 for preference shares and 99.2 for debentures, with a corresponding figure of only 94.6 for 2½ per cent Consols. The sample of companies has been adjusted more than once during the period, but the results suggest that, broadly speaking, the picture presented by the

ACTUARIES' INVESTMENT INDEX

Group and Number of Securities	Price Indices (Dec. 31, 1928=100)				Average Yields		
	May 26, 1942	Jan. 26, 1943	April 27, 1943	May 25, 1943	May 26, 1942	April 27, 1943	May 25, 1943
2½% Consols	147.2	146.5	144.7	143.6	3.03	3.08	3.11
Home Corps. (4)	141.8	145.0	143.3	142.8	3.29	3.25	3.26
Indust. Debs. Total (43) ..	117.9	121.2	121.9	121.3	4.03	3.89	3.91
Ind. Pref. Total (101)	105.0	107.7	112.7	112.0	4.44	4.30	4.33
Insurance Cos. (10)	101.4	102.6	100.5	104.1	4.00	4.13	3.99
Aircraft Mfg. (5)	49.8	70.5	70.6	70.7	10.81	7.54	7.54
Coal (8)	78.7	95.8	96.5	101.7	6.47	5.72	5.61
Gas (8)	71.0	89.3	91.7	95.2	3.26	3.17	3.15
Oil (4)	48.3	74.4	72.6	75.5	5.20	3.29	3.16
Total Productive (90)	61.9	76.2	76.3	77.3	5.22	4.53	4.49
Home Rails (4)	44.8	75.5	78.8	79.9	7.61	5.48	5.43
Total Miscellaneous (40) ..	69.1	81.0	82.2	82.1	4.92	4.24	4.24
Industrials— (All Classes) (159)	60.4	74.7	75.1	75.7	5.05	4.38	4.36

more sensitive index is accurate. It need hardly be said that, while the total index shows little change against 1935, individual changes are in some cases very great. Gas, motors, shops and stores and electric supply are the principal sufferers among industrials, while there is a 13 per cent fall in insurance shares. Home rails, shipping and electrical equipment have gained most.

Outlook for Diamonds

The statements of Sir Ernest Oppenheimer at the annual meetings of *De Beers* and of the *Consolidated Diamond Mines of South Africa* last week, accompanied by the announcement of interim dividends for the current year at highly satisfactory rates, have caused a further boomlet in the shares. There is more justification for this movement than the mere wartime prospects of the companies. Sir Ernest made it clear that the comment in *The Economist* of May 1st on the rôle of industrial diamonds was a considerable understatement of the facts. Plans are in hand for the reopening of the Premier Mine, whose output is mainly industrial, after the war, where a new washing plant will be constructed out of funds at the disposal of that company. There is also to be a new treatment plant at Jagersfontein, while *De Beers* anticipate that they will be relieved of the necessity of closing down production in times of trade depression by the level of the demand for industrial stones. It is, of course, a crucial matter that the price of these stones should be "right" from the standpoint of the companies, but, as is pointed out in a note on page 736, they have secured a complete monopoly of African output. Another factor of substantial importance is that the Diamond Corporation in which *De Beers* and *Consolidated* hold the whole equity, has paid off £10 million of debt within a decade. It would seem that, if operations are to be continued in times of trade depression, stocks may be re-accumulated and fresh borrowing may be necessary. But it is very possible that the annual charge for interest and sinking fund will be well below the £500,000 stated to have been the provision in recent years. Meanwhile, past accumulations are being liquidated and every repayment of debt adds to the distributable profits.

There can be very little doubt that, if Sir Ernest's expectations are fulfilled, the great development in the demand for industrial diamonds will introduce a stabilising element into the fortunes of the producers, which has been conspicuously absent for many years past. There does not exist, however, any means of assessing what the demand for gem

STEEL
MILNERS
EQUIPMENT

for the post-war office

The Safe aid to efficiency

MILNERS SAFE CO. LTD., 21, HAMPSTEAD LANE, LONDON, N.6
Telephone: MOUntview 6655

stones may be. The prudent investor will, therefore, regard the present bout of prosperity as being, to some extent, subject to the same conditions as have determined the length of similar bursts in the past. As to the immediate future, sales this year are already well up to the total for 1942. Interim dividends have been renewed at the rate of 30 per cent for De Beers, against a total for last year of 40 per cent and at 20 per cent for Consolidated, compared with 15 per cent for the whole year. In making these announcements, it was emphasised that each half-year must stand on its own feet and that the only provision made towards the second half of 1943 was to see that the preference dividends were covered. At the same time, it appears from a reading of the two addresses that the payments for the year may well, in both cases, be more than double those for 1942.

Short Brothers Payment

In reply to a question on Tuesday, the Chancellor of the Exchequer announced that the prices to be paid for the requisitioned shares of Short Brothers would be 29s. 3d. for each ordinary and "A" ordinary share and 22s. 3d. for each preference share of the company. These are the averages of the buying and selling prices quoted in the Official List on the day fixed by the order, March 17th last, the date on which the Controller was put in and five days before the announcement of the vesting. They are also within very little of the prices ruling on that day. Thus, it would appear that the price "as between a willing buyer and a willing seller" is deemed to be the market price, which is at least some relief to the harassed investor. The "A" ordinary shares, held largely by the family, carry four times as many votes as the ordinary, giving complete control. Apart from this, they rank *pari passu* with the ordinary, and the decision to pay the same price for both means that there is no recognition of the fact that voting rights may have a value. That is not a matter affecting the investing public, which will be relieved that the price fixed is based on the only valuation which seems justifiable and that the delay has not been greater. Payment is to be effected as soon as possible. The statement, like those which have preceded it, has not removed the anxiety caused to investors by this incursion of the state into a field where it is felt that private enterprise must for long be the only form of development which will enable the industry to keep abreast of world developments. There is still no statement of policy for post-war or any indication that the shares of this company are to be re-sold.

Local Authority Mortgages

As from the beginning of this month, a further measure of relief has been granted to all local authorities and public boards in the matter of re-borrowing on mortgage. Eleven months ago, permission was given to renew, or replace, mortgages bearing interest over 3 and up to 3½ per cent, optionally redeemable within the coming eighteen months. That right was granted subject to a general direction that the period of renewal should not be less than seven years. Now, all limits to the rate at present paid on the mortgages are abolished, but limitations on the conditions of borrowing are increased. There is a list of exceptions to the seven-year rule, of which the chief are that repayment may be made by instalments; and that, where there are specific regulations governing the loan which conflict with the requirement, the latter may be disregarded. In addition, there is a requirement that extension of the life of a loan, subject to short notice on either side, shall be discontinued. This is a matter of very considerable importance. It has for long been a weakness of this type of finance that substantial sums could be called at any time. Incidentally, the expectation that money could thus be lent at short call at the full rate governing the original operation was not without influence in bringing down that rate. The latest available figures of borrowing by corporations and public bodies refer to March 31, 1940. At that time, the total debt was some £1,715 million, of which £935½ million was in mortgages of one sort and another and some £637½ million in stock. The former cannot be completely allocated to different types of mortgage, but some £280 million was in Public Works Loan Board mortgages, £206½ million in mortgages repayable by instalment, and the bulk of the remainder was borrowed on ordinary mortgages. Of these, £267½ million ran for over five years.

Company Notes

Dunlop Rubber and Taxation

The full accounts of Dunlop Rubber (the preliminary statement was discussed in *The Economist* of May 29th) provide some interesting details of the group's tax position. Estimated EPT, despite the reduction of trading profits from £3,722,434 to £3,067,366, totals £827,368. A further £260,587 is set aside for the 1942-43 income-tax liability, which together with a net increase of £50,000 to £700,000 in the reserve for next year's charge brings the parent company's total tax allocation to £1,787,955 against £2,574,620. Of particular interest is the statement that the total EPT provision up to December 31st last amounted to £5,922,794 in the group's accounts, of which £4,293,793

	Years to December 31,		
	1940	1941	1942
<i>Dunlop Group:</i>			
Net profit after depreciation	5,022,111	5,045,316	4,392,311
Non-recurrent items	70,361	140,047	79,641
Total revenue	5,092,472	5,185,363	4,471,952
Taxation†	1,666,447	1,510,533	1,534,208
Guaranteed Pref. divs.	183,797	87,151	86,578
Appropriations and reserves	81,198	172,203	189,469
<i>Dunlop Rubber Co.:</i>			
Profit	3,161,030	3,415,476	2,661,697
Interest charges	159,175	154,780	153,390
Pref. dividends	192,187	*261,927	*268,750
Income Tax and EPT	1,741,880	1,924,620	1,087,955
Transfer to Income Tax reserve towards succeeding year's liability	650,000	650,000	700,000
<i>Ordinary Shares:</i>			
Earned	417,788	424,149	451,602
Paid	416,651	333,321	346,855
Earned %	10.0	10.2	10.4
Paid %	10	8	8
Contingencies	—	100,000	100,000
Carry forward	632,011	622,839	627,586

* Includes guaranteed Plantation preference payment 1941 £74,427, 1942 £75,000.

† Dunlop Rubber Company's proportions.

was provided by the parent company. The 20 per cent post-war credits are estimated at £983,683 and £692,695 respectively, both figures subject to income-tax. As shown in the table above, the parent company has had to meet the Plantation company's preference dividend under the guarantee, but the fall of £786,665 in tax exceeds by some £33,000 the drop in profits. In consequence, the ordinary dividend, unchanged at 8 per cent, is covered by earnings equivalent to 10.4 against 10.2 per cent. The transfer to contingencies is repeated, and the carry forward raised almost £5,000 to £627,586. The very large amount provided in EPT is a virtual guarantee of distributable profits at about the current level so long as the tax is in operation.

Supplies Assured

The paper restriction has not prevented Dunlop from providing highly informative and well-presented legal and consolidated balance-sheets. Current assets in the consolidated statement have declined slightly to £21,829,740, but net liquid assets are over £1,118,000 higher at £14,767,515. Certain moneys and supplies from enemy occupied subsidiaries which arrived during the past year have been set off against the figure for investments in enemy and enemy occupied territories, leaving a net fall of £436,000 to £4,138,030. Against this, all reserves, including surplus profit, total £7,902,660. Among current assets, the free of interest loan to the Government of £2,024,886 has been replaced by a holding of tax reserve certificates of £2,135,925, an item which is not only more remunerative, but may play some small part in improving the company's EPT standard. A reduction of some £1,124,000 in debtors explains the expansion in cash to £3,342,346 and in Government securities from £268,923 to £865,720. It does not appear that shortage of raw materials has greatly hampered the group, although the loss of the highly remunerative civilian demand has been severely felt. In addition, the

chairman, Sir George Beharrell, anticipates adequate supplies of synthetic material from the United States. In this connection, certain plant adjustments may have to be undertaken, but as a user rather than producer of rubber the outcome of the synthetic versus the crude product problem need not cause the company very great concern. The £1 ordinary stock at 34s. 9d. ex dividend offers the relatively high yield of £4 12s. per cent.

Marks and Spencer Accounts

The full accounts of Marks and Spencer for the year to March 31st last show a drop in total profits of £217,863 to £2,020,970. As was suggested in a note on the preliminary statement in *The Economist* of May 15th, this decline is greater than the setback to net profits. Moreover, there is no statement that gross profits have been struck after provision for war damage, as in the two previous years. The tax provision in the latest year, of £863,000 against £895,486, is shown after deduction of estimated refund of EPT—presumably overprovided in 1940-41. Thus, the earned rate of 47.5 (against 56.3) per cent is probably a slight over-estimate. The chairman, Mr Simon Marks, explaining the reduction in the balance-sheet item of creditors from £978,802 to £571,110, points out that purchase tax no longer applies to the majority of goods sold by the group. In these circumstances, the small rise in stocks from £1,279,389 to £1,300,073 is more satisfactory than the figures suggest. There is a rise in net liquid assets from £1,735,361 to £2,507,529, represented in part by the contraction in creditors and in part by a rise in cash items, the result of a decline in net loans to subsidiaries from £478,551 to £91,035. This contraction Mr Marks attributes to the reduction in the scale of activity of the export company. The decline in total profits is no doubt due mainly to the limitation of supplies and to rationing. But the group appears to have found some scope for the maintenance of its specialised methods. As a result, the 35 per cent dividend is still generously covered, and the liquid and reserve positions—total reserves and surplus amount to £3,881,391—are very strong. The 5s. "A" ordinary shares, at 50s. 6d. ex dividend, yield £3 9s. 4d. per cent.

Court Line Dividend

The full accounts of Court Line for 1942 show a small rise in profits on voyages from £81,666 to £93,202. Total profits, at £147,882 against £102,306, are swollen by the inclusion of recoveries from earlier years, amounting to £40,551 in 1942 and £7,093 in 1941. The directors have repeated the 1941 depreciation provision of £40,000 and transferred the same amount to tax reserve against nil. There is also an allocation of £10,000 against nil for staff pensions. The recoveries ought to be distributed over a period of years, but if they are attributed to 1942 equity earnings are down from £61,148 to £56,724, representing 21.6 against 23.3 per cent. The management has decided to pay a 3 per cent interest bonus in addition to the 15 per cent dividend distributed in each of the three previous years from the interest on accumulated liquid resources. After meeting this payment, the carry forward is raised by £9,475 to £161,096. The directors point out that there have been fleet losses during the past year, and this is evident from the jump in the balance-sheet total of fleet replacement account from £594,608 to £1,365,295 and the similar rise in debtors from £348,579 to £1,045,069. Moreover, there is a rise in Government tonnage replacement account from £50,000 to £114,663. The company has obtained possession of two ships, costing a total of £305,750. Ownership will not pass to the Court Line until after the war, nor will payment be made until then, and it is the interest on the sum eventually required to make payment that the management has decided to use for distribution as an interest bonus. It may be questioned whether, in view of the replacement demands on liquid funds which shipping concerns will have to meet after the war, it would not have been wiser to conserve all available resources. Sir Philip Haldin himself has in the past frequently emphasised the inadequacy for post-war needs of the liquid funds of the companies in which he is interested. It is surprising to find that he now advo-

cates the dissipation of sums which might have been re-invested. The accounts of the company, on the whole, convey an encouraging impression that loss at sea has not prejudiced current earning capacity. The 6s. 8d. ordinary shares, at 21s. 6d., yield £5 14s. 3d. per cent.

Philip Hill Investment

The accounts of Philip Hill Investment Trust for the year to March 31st last show a substantial rise in income from £211,774 to £379,926. The business was split on February 12, 1942. Up to that date the old company earned £149,151, while in the closing six weeks of 1941-42 the Trust earned £57,568 and received £5,000 from a subsidiary. Last year the Trust earned £189,830 and the other half of the business, Philip Hill and Partners, paid a dividend of £185,000. Tax provision is up from £108,003 to £187,164, so that, after meeting preference dividends, there is £158,063 against £69,073, representing 29.8 against 13.0 per cent for the equity. The directors have wisely refrained from raising the 10 per cent payment and the whole surplus goes to increase the carry forward from £86,608 to £191,546. The improvement is apparently due mainly to the recovery in finance business in which Philip Hill and Partners shared. This recovery is a good omen for post-war conditions, but there may well be a further setback to receipts from this source before there is any return to normal. The balance-sheet shows a reduction in holdings of quoted and unquoted securities from £3,350,994 to £2,815,587. At the same time, there is a rise in cash holdings from £23,714 to £421,752 and in net loans to a subsidiary from £89,842 to £350,225. In the previous year quoted securities were written down to market value. On this basis they stood at March 31, 1943, more than £1,120,000 above the balance-sheet valuation of £2,615,872, while the total of general reserve and surplus amounts to £1,391,546. The 5s. ordinary shares at 13s. yield £3 17s. 8d. per cent, a level which certainly discounts substantially higher payments in the future.

Anglo American Investment Trust

The important diamond finance concern, Anglo American Investment Trust, reports a rise in income from £324,606 to £456,886 for the year to December last. Despite this increase, there is a reduction in tax provision from £23,000 to £16,000 and general expenses are also lower. Thus, equity earnings jumped from £232,750 to £375,342, narrowly covering the dividend, which is doubled at 15 per cent. The surplus raises the carry forward from £135,667 to £136,009. The latest dividend is the highest distributed since 1937, when the ordinary capital received 20 per cent. The increase is, of course, due to the 1942 recovery in earnings of De Beers and other diamond mining concerns in which Anglo American is interested. This revival in profits and the recent Stock Exchange boom in diamonds to which it has given rise is reflected in the balance sheet by an excess of market and directors' valuation of investments over balance-sheet valuation at cost of £1,105,020 against £522,852. These investments now have a market valuation of £4,334,643 against £3,379,530, the balance-sheet valuation having risen by some £373,000 by investment of cash reserves and new deposits. Debenture holdings of the Diamond Corporation are reduced from £1,703,200 to £817,000. The company holds £700,000 of the proceeds for redemption of its own debentures on June 30th next. The drop in net liquid assets from £376,289 to £88,386 is mainly a reflection of the repayment of loans at call by Anglo American Corporation. The sum outstanding now amounts to £222,060 against £476,333. The £1 shares, which have risen substantially in recent weeks, stand at 66s., at which price they yield £4 13s. per cent.

YOUNG ECONOMISTS interested in new investigations are invited to communicate with The Science (Research) Society. Write The Secretary, S.R.S., The Cottage, St. Mary's Abbey, Mill Hill, N.W.7.

Industry and Trade

The Diamond Monopoly

The diamond-producing industry is one of the tightest monopolies in existence, designed to protect producers—and, incidentally, owners—of gem diamonds from the effects of sudden changes in demand and supply. There is complete control over African production and stocks, and sales are handled by a central agency, the Diamond Trading Company. Prices are maintained at an artificial level. As Sir Ernest Oppenheimer, chairman of De Beers Consolidated Mines, pointed out at the annual meeting of shareholders on May 28th, the basic aim of the new producers' agreement which came into force at the beginning of the year is the same as that of the original agreement—that is, to assure "sales through one channel" and "the limitation of supply to demand," presumably at a profit to the producers. A producers' monopoly in as unessential a commodity as gems, while obnoxious in principle, is innocuous in practice. But the industry also produces a vital industrial raw material—an essential abrasive. The demand for so-called industrial diamonds has grown rapidly since the beginning of the war, and last year their sales represented nearly 40 per cent by value of the total turnover of the Diamond Trading Company. Hence the monopoly takes on an entirely new aspect, which was recognised in the new producers' agreement in so far as gem stones and industrial stones are now regarded as two different commodities. Sir Ernest Oppenheimer admitted that the "principles of the trade" applicable to gems are unsuitable to industrial stones. But he appears to envisage the continuance of a producers' monopoly for this vital industrial raw material. True, the price of industrial diamonds has been held at pre-war levels, a decision which Sir Ernest cites as "a contribution by the trade to the war effort." But the value of this "contribution" can only be measured by costs of production, which may have fallen with the rapid increase in turnover. As reported in *The Times*, Sir Ernest went on to say:

I believe that this policy of providing supplies at pre-war prices should be adhered to after the war so as to ensure the continued consumption of industrial diamonds in industry and encourage even an increased demand. . . . It is also pleasing to know that in future the sale of industrial diamonds produced by the De Beers mines will provide your company with a steady source of revenue which, whilst insufficient to cover the entire cost of production, will, nevertheless, considerably reduce the risk of our being compelled to suspend mining operations in Kimberley in times of trade depression.

So long as the supply of industrial diamonds is organised as a producers' monopoly, it may be difficult for it to resist the temptation of subsidising the gem trade out of the pockets of the industrial consumer.

"Slaughter" Tapping

When the Japanese deprived the United Nations of the greater part of their sources of natural rubber—the occupied territories contributed nine-tenths of the world's total output before the war—steps were taken to produce synthetic rubber on a large scale in the United States. But the necessary preparations could not be made at short notice, and it will be some time before synthetic rubber will be available in large quantities. Fortunately, the United Nations—especially America—possessed substantial stocks at the end of 1941. Moreover, arrangements were made to increase output from the sources of natural rubber still available, even if this meant the ultimate destruction of plants. Ceylon is the most important of the remaining sources of supply—its output was 102,000 tons in 1941. Naturally, plantation owners could hardly have been expected to practise intensive "slaughter" tapping without special compensation. Of two possible forms of compensation—higher prices and payment of costs of replanting—the Government has rightly chosen the latter. According to a letter sent to the Ceylon Association by the Colonial Office, compensation is to be paid at the rate of up to £45 per acre, but not for more than one-fifth of a proprietor's total acreage. Proprietors claiming compensation must adopt, for two years or until the exhaustion of the areas, double two tapping (that is two opposite half spiral cuts once every two days instead of the normal practice of one half spiral cut every two days) for one-fifth of their planted acreage and double three tapping (two opposite half spiral cuts every three days) for the rest.

Utilisation of Coal

In an address before the Institute of Export, on May 27th, Mr W. Wakefield Adam outlined a programme designed to eliminate the use of coal in its crude form. He gave interesting data, but some of them should be regarded as speculation rather than as precise estimates. In 1938, the output of coal was 227 million tons; 187 million tons (including exports) were used in the raw state, and only 40 millions in processed form. He pointed out that the net value of processed coal is about 2½ times that of raw coal, and that, with a pithead price of £1 per ton, the value of the derivatives destroyed in 1938 was about £280 million. In addition, the use of all coal in processed form would eliminate smoke and soot, and an annual expenditure on repairs to buildings of some £50 millions. Mr Adam, therefore, estimates that, on the basis of 1938 prices, the annual saving realised by the processing of all coal would be of the order of £330 millions. In his view, the processing of all coal, including exports, would provide "widespread employment," "excellent opportunities for safe financial investments," and "the extension of a wide range of industries to provide the home and export markets with the processed and sometimes semi-processed derivatives of coal." As a statement of ultimate aims, Mr Adam's programme serves a useful purpose. In spite of recent progress, far too great a proportion of coal is still used in the raw state, and of this the greater part is wasted. But the processing of all coal is not merely a technical problem; it also has an economic aspect in the sense that the consumer can hardly be forced to pay a higher price for the processed than for the raw product. In the absence of a subsidy for processed products, the rate at which coal can be converted into electricity, gas and other derivatives must depend on comparative costs. To this extent the problem is one for the technician.

Clothes Ration Anniversary

Clothes rationing was two years old last Tuesday, and the Board of Trade has given some statistics of coupon spending. During the first rationing year the proportions of coupons spent by men and women on different items of clothing were as follows:—

MEN		WOMEN	
Shirts and underwear	26	Underwear	19
Boots and shoes	17	Boots and shoes	15
Socks	15	Stockings	18
Suits, jackets and trousers	22	Dresses, coats, jackets and skirts	23
Other items	20	Other items	25

From these figures it can be seen that the popular view that women spend a disproportionate number of coupons on stockings is unjustified. They do not appear to have spent more on dresses than men on suits. In the second year, however, men spent a smaller proportion (17 per cent) of the ration on suits, jackets and trousers. The other items remain substantially unchanged, as do those for women, except that more outerwear and less underwear have been bought. No doubt "make do and mend" is more possible for the latter than the former. The average expenditure of coupons per head by men during the first year was 68, and by women 70. The basic ration was 66, but supplementary coupons were granted to certain classes of persons. During the second year, up to the end of March, men spent 46½ and women 50. The disparity is widening. On an average, three coupons per person were carried over from the first year to be spent in the second year of rationing, and two of these had been spent, in addition to the current allowance by the end of last March. Booms in spending have not unnaturally occurred at the beginning of coupon releases. In June, 1942, for example, about one-seventh of the ration for 15 months was spent. Another false impression has been dispelled by the release of these statistics—that parents have to use their coupons to clothe their children. On balance, the coupon expenditure for children aged 4 to 13 was below the adult rate and their entitlement, although those aged 14-16 needed all their coupons.

Industrial Health Conference

With commendable promptness, which reflects the importance which the Minister attaches to the subject, the Ministry of Labour has issued, through the Stationery Office, the verbatim report of the conference on industrial health. (Continued on page 739)

COMPANY MEETINGS

ATLAS ASSURANCE COMPANY LIMITED

ANOTHER SUCCESSFUL YEAR

MR G. F. HOTBLACK'S REVIEW

The annual general Court of Proprietors of the Atlas Assurance Company Limited, was held, on the 28th ultimo, at 92, Cheap-side, London, E.C.

Mr G. F. Hotblack (the chairman), in the course of his speech, said: It is a particular pleasure to us to be able to place before you accounts which I am sure would, even in peace-time, be a source of gratification to you and will thus, I think, be additionally welcome when regard is had to the many complications and difficulties which beset us in war-time.

FIRE ACCOUNT

The fire department premium income at £1,999,525 is higher by £49,071 than in 1941 and the profit emerging is £262,578, representing a ratio of 13.1 per cent., as against £145,124 and a ratio of 7.4 per cent. in the previous year. The increased income is the outcome of rising values and increased industrial productivity, and, as to the profit earned, all I think I need say is that we may count ourselves very fortunate, bearing in mind that the general loss record in the home field has been heavy.

ACCIDENT ACCOUNT

As regards the accident account, here I am able to present to you results which I think are remarkable. Although, largely due to a further fall in motor business consequent upon petrol restrictions, our premium income of £600,898 is lower by £50,713 than in the previous year, the profit earned is £114,784, as compared with £56,656 in 1941.

MARINE ACCOUNT

In the marine department the increase in premium income from £452,901 in 1941 to £601,003 in 1942 is a natural reflection of the times in which we live, and, while the incidence of loss on account of the year 1942 has been heavier than that to which we have been accustomed in the past, it has not been by any means of such a character as to suggest that our underwriting policy has not been properly attuned to the circumstances; indeed, I think we can reasonably anticipate that when the liabilities assumed last year have run off we shall find that our underwriting has been productive of a profit.

You will see, however, that no transfer is made to the credit of profit and loss account and the position is that your directors feel that, in view of our increased commitments and of the somewhat unpredictable future generally, it would be wise to maintain the marine insurance fund in as strong a position as possible. You will observe that the fund at the close of the year was £596,064, as compared with £522,755 at the end of 1941.

LIFE ACCOUNT

In the life department the new business, although far below our 1938 figure, was considerably larger than in the previous year, being £2,663,416, compared with £1,944,173 in 1941. The consideration for annuities, at £231,953, was £30,746 less than that received in 1941. The premium income, at £1,154,598, has increased by only the nominal amount of £1,108. Mortality among our lives assured has again been light, although the death claims, amounting to £319,615, include claims due to the war under 61 policies for £51,343. Including these, war claims, the strain of our claims was only 88 per cent. of that expected.

Our life assurance and annuity fund increased during the year by £606,191. During the year this increase, together with other substantial sums, has been invested in British Government securities, of which the life department now holds £3,687,370.

Our life department has been pleased and proud to contribute to the war need by investing all available money in Government war securities, but it will be realised that interest is the life blood of life insurance, and that the money which has been invested in Government securities arises mainly from premiums on policies issued prior to the war. These policies were issued on terms which call for the investment of the premiums, as they fall due each year until the policy matures, in securities giving a yield fixed by reference to the financial outlook at the date the policy was issued.

The combination of large investments in British War Loans and the high rate of income-tax renders it exceedingly difficult for life insurance companies to do what they desire to do—namely, to support the Government loans to the maximum extent, and at the same time perform their duty to their policyholders.

LIFE INSURANCE COMPANIES AND TAXATION

We congratulate the Government on the success of their policy of cheap money; we regard it as an essential feature of war finance. I would, however, ask that the special needs of life insurance companies, who support the Government policy by investing all available money in Government securities, earning a net yield thereon of only about 2 per cent., should be considered in connection with their liability to taxation, and that the income of these Government securities, so far as they exceed, say, 5 per cent. of the life fund, should be freed of income-tax. If this concession cannot be granted, then I feel that the standard rate of income-tax for life funds, which was fixed in 1940 at 7s. 6d., since when the net rate of interest has fallen, should be reconsidered and reduced.

At the end of the year the market values of our securities exceeded the book values by £935,000. This substantial appreciation constitutes a useful cushion against future depreciation. Mainly as a result of our further large investment in Government securities our net rate of interest for 1942 was £3 8s. 11d. per cent.

Once again it has been regarded as necessary to use the whole of the surplus to strengthen the reserves, £75,000 having been added to the annuity reserve and an additional unhypothecated reserve having been made by increasing the carry-forward from £6,033 to £177,152.

PROFIT AND LOSS ACCOUNT

Turning to the profit and loss account, it will be seen that the net interest receipts amount to £89,779, this figure being £5,740 in excess of earnings in 1941. The profits transferred from the underwriting accounts amount to £377,362. Charges include the sum of £135,000 reserved on account of the income-tax payable in respect of 1943, the sum of £49,883 transferred to the accident account in respect of investment guarantee transactions, expenses not charged elsewhere and the contribution to the "Essex and Suffolk" staff provident fund. The balance, including the carry-forward from 1941, available for disposal amounts to £533,725. Of this amount the dividend at 10s. 6d. per share, subject to tax, absorbs £125,400, and, £25,000 having been transferred to the staff pension fund, the balance carried forward is £383,325 as compared with £427,084 brought forward from 1941. That concludes my comments on our figures; figures which, in all modesty, I think we can claim to be a good example of the stability of that stout and age-tested pillar in the economic structure—British insurance.

The report and accounts were unanimously adopted.

ALLIED NEWSPAPERS, LIMITED

LORD KEMSLEY'S REVIEW COMPANY'S NEW NAME

The nineteenth ordinary general meeting of Allied Newspapers, Limited, was held on Monday, May 31st, at Kemsley House, London, W.C.1.

Lord Kemsley (the chairman), in the course of his speech, said:

The trading profits show an increase of £56,703, but against this there is an increase in the provision for taxation and contingencies of £55,000. Your directors have again recommended placing £100,000 to reserve. This transfer is equivalent to an appropriation of profits amounting to £200,000 before deducting income-tax at the present rate of 10s. in the £1. We were pleased to be able for the first time for some years to resume the payment of an interim ordinary dividend, and hope to make this a regular practice. After making the transfer to reserve and providing for a total dividend of 8 per cent. for the year on the ordinary stock, the carry-forward shows an increase of £15,087.

Turning to the balance-sheet, the sundry trade creditors, etc., are slightly reduced.

The fall in amounts owing by subsidiary companies is due to the repayment of some of the loans by these companies. The decrease in stock in trade is in consequence of the reduction in our stocks of newspaper.

The increased investment in British Government securities and tax reserve certificates together with the cash balance presents a strong liquid position.

PRIVATE ENTERPRISE

During the last few months the economic system known as private enterprise has been subjected to incessant and prejudiced attack. The criticisms have mostly come from those possessing little practical knowledge of business and who are accordingly ignorant of how private enterprise has benefited the community in the past and is benefiting it in the present.

I say in the present because it is only by means of our wonderful industrial apparatus, the offspring of private enterprise, that we have been able to achieve our immense output of every variety of weapon.

It is a striking and conclusive fact that Britain and America, which are severally producing a greater volume of armaments and munitions than any other country in the world, both practise the principles of private enterprise in their economic life.

The totalitarian countries—where, by definition, the State is paramount—can furnish nothing like equal results either in magnitude of production or in the widely spread welfare of the individual.

CHANGE OF NAME

Before I end I must remind you that you are going to be asked to vote on a resolution to change the official title of this company. I think you will agree that the present name is so vague as to lead to confusion. We share the word "Allied" with some 30 entries in the London Telephone Directory. We need something more definite, more easily distinguished and remembered. I am glad to note that a financial organ of weight describes this proposal as "wise and practical." I am confident that you will express similar approval.

On the proposal of the chairman, seconded by the Hon. Lionel Berry (deputy chairman), the directors' report and accounts were adopted.

The retiring directors and the auditors (Messrs Price, Waterhouse and Co.) were re-elected.

A special resolution changing the name of the company to Kemsley Newspapers, Limited, was proposed by Mr. W. M. Teasdale, seconded by Sir William Crawford, K.B.E., and unanimously adopted.

A vote of thanks to the chairman, board and staff, proposed by Mr M. S. Myers and seconded by Mr Hugh Edwards, was carried unanimously, and the meeting concluded with the chairman's reply.

GEORGE WIMPEY AND COMPANY, LIMITED

OUTSTANDING CONTRIBUTION TO THE WAR EFFORT

UNJUSTIFIED ATTACKS—COMPANY COMPLETELY VINDICATED

The twenty-fourth ordinary general meeting of George Wimpey and Company, Limited, was held, on the 3rd instant, at Incorporated Accountants' Hall, Victoria Embankment, London, W.C., Mr G. W. Mitchell (chairman and managing director) presiding.

The chairman said: Ladies and Gentlemen,—The directors' reports and accounts have been in your hands for some time and I presume that, as usual, you will take them as read. (Agreed.)

They cover the third complete year during which we were wholly employed on war work. On each occasion when I have addressed you since the outbreak of war I have emphasised that the supreme and over-riding aim and policy of the directors of your company has been to exert every effort in making its maximum contribution to the successful termination of this war. In the very busy year under review I am confident that your company has more than maintained its reputation for speed and efficiency in the completion of a number of large building and civil engineering projects.

ATTACKS UPON THE COMPANY

Last year some concern was shown by shareholders present at our annual meeting about the attacks that were being made in the House of Commons in respect of our war contracts in Scotland, and questions were put to me as to what action we were taking in the matter. I pointed out that these attacks were made under Parliamentary privilege. Later it became apparent that our staff throughout the country was becoming confused and restive under attacks which it knew to be wholly without foundation and, as the attacks persisted, we wrote to the Prime Minister requesting that the Government would make the fullest inquiry and publish the result of their investigations.

A most exhaustive inquiry was, therefore, held by Mr J. L. Clyde, K.C., with the assistance of Mr David Anderson, M.I.C.E., and the findings of the Commissioner were eventually published in the form of a White Paper (a document of 26 pages) described as the "Clyde Report." To all interested in the good name and reputation of Wimpeys I would recommend the purchase of a copy of this report, which is obtainable from His Majesty's Stationery Office.

EXTRACTS FROM CLYDE REPORT

I do not desire to take up your time referring to an episode from which your company has emerged so clearly vindicated and will content myself with reading two extracts from the Commissioner's report:—

"By the beginning of the war they (i.e. Wimpeys) had established an organization which was able to meet, as it happened, just the very type of demand which the war conditions created—the need for a fully equipped and organised business which could undertake sole responsibility for a large job and drive it through to completion in the shortest possible time. Although the firm secured a large number of contracts, even at the peak of their activity they had not more work than they could effectively undertake."

"The considerable share of the total contracts placed by the Government Departments during the war with Messrs Wimpey and Co. is essentially attributable to their own proved merit."

PRESS COMMENTS

As you are probably aware, the result of this inquiry was widely commented on in all the London and Provincial Press, and I

will just refer to an extract from *The Economist* of October 10th last:—

"It, 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."

And one from *The Accountant* of October 10th last:—

"It is unfortunate that at a time when efficiency and speed in production were never more necessary and are by no means to be found everywhere a firm which apparently achieved both should be attacked for that very achievement."

Shareholders will be gratified by such a complete vindication of their company and its outstanding contribution to the national effort.

The efforts we have made to increase our efficiency and speed up our production have been greatly assisted by the work of a small group of our highly expert engineers working in the Planning and Progress Department, where the exact sequence of operations and the time, plant, and manpower to be allotted to each operation is planned in advance and the progress of each contract subsequently closely watched.

WELFARE DEPARTMENT

I would like to refer to the work of our Welfare Department, which looks after camp amenities and canteens on the various contract sites. Each major contract also has a Production and Welfare Joint Committee, half of the members being elected by the men and half being members of our job staff. These committees hold weekly meetings to discuss the various aspects of their contract and valuable suggestions for increasing efficiency and speeding up production are brought forward. A news sheet consisting of contributions, criticisms, and suggestions—some grave, some gay, prose, verse, and cartoon—sent in by workmen and staff is produced monthly and posted in canteens and other prominent places on all jobs. The news it gives of outstanding progress and competitive gang outputs on various jobs serves to maintain the men's interest in their share of the war effort and in the work of these committees.

The company's Staff Pension Fund has accumulated a fund of £110,000.

The very complete records of the past work history, experience and special aptitudes of every member of our staff which are kept by the Establishment Office have enabled us, by a review of the whole of the staff and precise selection on merit, to fill the many gaps occasioned by the demands of the fighting services. Staff joining the Forces know that we retain a complete record of their services and experience.

COMPANY FULLY ENGAGED

Your company is still very fully engaged in urgent works of national importance despite the tendency for the volume of work to recede. As to the future we remain entirely at the service of the Government in the war effort, and we are sure that wherever the staff of Wimpeys are required, whether it be here or abroad, under the flag of the firm or in khaki, they will give a good account of themselves.

The directors' report and the accounts were adopted and resolutions were passed transferring £50,000 to general reserve, confirming the payment of the preference dividends for the year 1942, and declaring a dividend of 20 per cent. on the ordinary shares.

Mr H. Wheeler was re-elected a director of the company; and the auditors (Messrs Saker & Davis) were re-appointed.

EVER READY

REGD. TRADE MARK

MANUFACTURERS OF DRY BATTERIES

CELLS, ACCUMULATORS,
RADIO EQUIPMENT,
MOTOR CAR ACCESSORIES,
PORTABLE ELECTRIC
LAMPS.

Net Trading Profit for Year to
31st March, 1943 - £584,887
Total Reserves and Carry
Forward - £1,440,148
Dividends on Ordinary Stock,
35% plus 5% bonus.

*Points from the Speech of Mr.
Magnus Goddellow (Chairman) at
the Annual General Meeting of
The Ever Ready Company (Great
Britain) Limited, on June 3rd,
1943.*

INCREASED COSTS COVERED.

Owing to our long term planning and preparations, we achieved substantial increases in our production during the year under review.

The demands for our batteries during the Autumn were so heavy that at times we were unable to supply fully the civilian requirements. We have again increased our establishments, plant and stocks, and with these added facilities, we anticipate a further increase in production.

The profit on the larger turnover, together with the increase in the prices of wireless batteries imposed on the 1st April, 1942, has enabled us to cover all additional costs of production.

STRONG FINANCIAL POSITION.

We are proposing to pay to the Stockholders the same dividend and bonus as for the past three years, we have paid higher wages to our workpeople and large contributions to H.M. Government towards the "sinews of war." Under peace conditions our experience and facilities will enable us to continue fully our services to the public.

The Accounts before you show that our liquid financial strength has improved, net current assets having risen from £862,000 to roughly £1,000,000.

Our Managers, staff and workpeople have served the Company well and continue to work with the greatest loyalty and goodwill, and I am sure you would wish me, as I do, to express our appreciative thanks to them for their efforts.

CAMP BIRD, LIMITED

MR F. W. BAKER'S REVIEW

The forty-first ordinary general meeting of Camp Bird, Limited (of 49, Moorgate, E.C.), was held, on the 3rd instant, at River Plate House, London.

Mr F. W. Baker (the chairman), in the course of his speech, said: Income for the year was £27,818, and after the usual charges there remains a balance of £14,551, which has been credited to reserve account, now standing at £226,273. The depreciation on quoted investments is reduced by the satisfactory figure of £168,143 to £308,747 and was further reduced on May 10, 1943, to £185,407.

We have this year felt ourselves in a position to place an estimated value of about £200,000, or approximately 2s. per share, on our unquoted investments, advances, etc., totalling £327,783. As the net value per share of the remaining assets was at December 31, 1942, 6s. 2d. per share, we arrive at an estimated total value of 8s. 2d. At May 10, 1943, the corresponding figure was 9s. 5d. per share.

Under the present difficult conditions, which limit the activity of a company of

this nature, it is at least satisfactory to know that definite improvement in the company's position has taken place. Moreover, the elimination of the debenture issue removes the annual interest and other charges in connection therewith.

The report was unanimously adopted.

OZALID COMPANY, LIMITED

STATEMENT BY MR C. A. G. HEWSQN

The annual general meeting of the Ozalid Company, Limited, was held in London on the 31st ultimo. The following is an extract of the statement of Mr C. A. G. Hewson, F.S.A.A., the chairman:

It is with gratification that your directors recommend a final dividend of 15 per cent., less income-tax, on the "A" and "B" ordinary shares, making 25 per cent. for the year, after provision for the dividend on the preference share capital.

The company is engaged in manufacturing a dry developed sensitised paper known as "Ozalid," used for plan reproduction and photo-printing, and also deals

in and manufactures sensitised opaque and tracing cloths. The company serves the leading aircraft companies, armament concerns, engineers and shipbuilders, and also the building trade. I might mention that for forty years or more additional copies of master drawings were made by means of the blue printing process, which gives white lines on a blue background. In recent years the diazotype process, of which this company were the pioneers, has been perfected and widely adopted. This process furnishes black lines on a white ground.

The technical direction of the company is under the control of Mr H. D. Murray, M.A., F.I.C., and I should like to pay tribute to the services he has rendered.

In passing you may wish me to touch upon our future prospects. By reason of the anticipated post-war reconstruction programme, it is considered that we shall be fully occupied in the period following the declaration of peace. The company's success is also dependent upon the maintenance of a high standard in the technical section of the business, and your directors are taking active steps to ensure continuation of the position in this direction.

The report and accounts were adopted.

(Continued from page 736)

health held in London on April 9th-11th. This document should be carefully studied, not only by those directly responsible for factory welfare, but by all employers and trade unionists. The Chief Inspector of Factories, at a press conference held in connection with the report, said that the most significant development in recent years had been the great interest which the workers themselves are now taking in their own welfare and working conditions, and emphasised the value of joint works health and safety committees in stimulating this interest and the desirability of extending their number. There is to-day a wide realisation of the importance of preventive measures, and factory canteens have played a considerable part in maintaining the standards of health during wartime. The figures given by the Chief Inspector show an encouraging improvement over last year:

NUMBER OF CANTEENS

	December, 1941	December, 1942
In factories employing more than 250 workers:—		
Subject to the Canteen Order . . .	2,814	4,026
Not subject to the Order	351	314
In factories employing less than 250 workers	2,530	4,141
Dock canteens	110	160
Canteens on building sites	787	868
Total	6,592	9,509

There is reason for satisfaction at the nation's industrial health record, but there is no room for complacency. There are many black spots that have to be eradicated, and many measures that should be taken now. Though the number of fatal accidents decreased during 1942, the further increase in non-fatal accidents points to the need for constant vigilance, especially in dealing with untrained labour. The Factory Inspectorate probably needs enlarging—401 inspectors to cover between 200,000 and 300,000 establishments seems pitifully few, and many of them have to undertake additional duties in connection with fire prevention, industrial clothing and other wartime circumstances. At the Conference, a personnel officer from the railways drew attention to the shocking conditions that prevailed at a certain goods yard and to the inadequacy of the sanitary provision for women workers. The trouble is that the railways, except for their manufacturing, repair and maintenance shops, do not come under the Factory Acts, and there seems to be a strong case for extending the powers of the Factory Inspectorate to cover rail transport, or, at any rate, for establishing adequate machinery for investigation and inspection.

Transport Workers' Wages

A number of wage claims affecting transport workers are now pending. The Railway Executive Committee has rejected the collective claim for a 10s. increase put forward by the three railway workers' unions in March. The terms

of the REC's counter-offer have not been made public, but it is understood that an increase of less than half the unions' demand was proposed. Consultations are now going on between the executives of the three unions, and the REC's offer is likely to be very unpopular among the men, who were already impatient at its delay in replying to their claim. If the offer is rejected, the unions will probably resort to arbitration again. Last year, after the Railway Executive had offered less than the increase which the workers claimed, the Railway Staffs National Tribunal on December 11th awarded a 5s. increase to conciliation grades and salaried staffs and a 1s. increase to locomotive men, since these had already received an increase of 4s. The National Union of Railwaymen and the Railway Clerks' Association accepted the award, but the Associated Society of Locomotive Engineers and Firemen refused, although they had pledged themselves in advance to abide by the Tribunal's decision, and the strike threat was only averted when it was decided to present a new claim in conjunction with the two other unions. In the meantime, the rejection, by the special Tribunal, of the 'bus workers' application for improved wages and working conditions has been discussed by delegate conferences of the Transport and General Workers' Union in London and the provinces. The 'bus workers' claim was based not upon any rise in the cost of living since their war wage increases were granted a year ago, but on the added strain to which driver and conductors have been subjected as a result of curtailment of services, "spread-overs" and generally increased difficulties. A new claim will shortly be presented. The canal workers, too, have formulated wage claims, which are now under discussion.

* * *

Points Changes and Soft Fruit

A number of changes were made in the points value of certain foods from the beginning of the current four-weekly ration period which began on May 30th. The smallest sized (1 lb. and 12 oz.) packs of canned luncheon meat, pork loaf and ham loaf have been reduced in points value and the larger ones increased. The points value of green split peas is halved. There is no change in the value of points coupons, and the total remains at 20 for each ration book. Home-canned plums, damsons and rhubarb were removed from the ration to clear stocks, on the ground that they might not keep beyond the end of June. It is a pity that the disposal of these stocks was not achieved earlier, perhaps by lowering the points value. Retailers will be compensated for loss of coupons. A large part of the new soft fruit crop will go to jam manufacturers, and it seems likely that little will be left to be eaten fresh or for private jam-making and bottling. The Minister of Food has made directions restricting the transport of soft fruit. The United Kingdom has been divided into four areas within which the fruit may be moved by rail. By road, transport is limited to distances not more than 40 miles, but the fruit may cross the boundaries of areas to a depth of ten miles.

RECORDS and STATISTICS

STOCK EXCHANGES
London

Note: all dealings are for cash only

PENDING war developments, activity in the markets has been light and in the absence of adequate support quotations have tended to ease. Quiet conditions prevailed throughout in the *gilt edged* market, although some demand was apparent for short dated issues at the close of the previous week. Long dated and irredeemable stocks were, in contrast, distinctly heavy. Old Consols and 3½ per cent. War Loan and Conversion all losing ¼th. Interest in the *foreign bond* market was negligible. Brazilian loans weakened early this week, but in general most prices remained steady. According to the number of bargains marked, turnover was well maintained in the *home rail* market. Equity stocks were sold steadily, GW and LMS in particular falling 1 and 1½ points respectively. The preference issues were dull, but after their recent decline, the prior charges displayed a rather steadier tendency. Argentine rail issues in the *foreign rail* market were still under the influence of the depressing BA Western statement rather than the Central Argentine payment, both equity and junior issues suffering small declines.

Industrial issues failed to attract any particular attention, and with few exceptions prices throughout the market tended to slightly lower levels. Losses for brewery and tobacco shares were relatively insignificant, but heavy industrial shares and several motor and aircraft issues were especially heavy. Babcock and Wilcox and Allied Iron lost 1s. 3d. and 9d. respectively, among numerous other smaller falls, while Raleigh Holdings and Rolls-Royce both

lost ½. Exceptionally, shipping issues were firm, although actual improvements were slight. In contrast textile issues fell back. English Sewing Cotton losing 1s., while Courtaulds and British Celanese each fell 6d. Dollar stocks were dull this week, International Holdings in particular declining ½. Elsewhere Cable and Wireless ordinary eased slightly, while Dunlop Rubber after an earlier fall, recovered sharply on the chairman's statement.

The *kaffir* market was completely overshadowed by the activity in the *diamond* market. Sir Ernest Oppenheimer's statement on the industry occasioned a widespread demand for shares, De Beers rising ½ and Consolidated Diamonds 3s. 3d., although profit taking later reduced these gains. Anglo-American Investment also attracted buyers, the price rising 2s. 3d. The *rubber* market was idle, but a long list of minor losses were recorded in the *tea* market. Quotations in the *oil* market receded on lack of support. The maintenance of the Shell distribution failed to check the decline, leading issues falling by as much as ½ on the week.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices
			30 Ord. shares* 20 Fixed Int.†
May 27.....	4,105	2,982	99-1 135-0
" 28.....	3,971	2,690	99-0 134-9
" 31.....	5,963	3,260	98-9 134-9
June 1.....	4,371	2,876	98-6 134-8
" 2.....	4,170	3,280	98-5 134-6

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 99-7 (May 11), lowest, 94-1 (Jan. 4). 20 Fixed Int. 1943: highest, 136-8 (Jan. 22); lowest, 134-5 (Jan. 4). ‡ New basis in S.E. List. § Old basis.

COMMODITY AND INDUSTRY NEWS

Soft Fruit Prices.—The maximum prices of soft fruit per lb., varying according to area, operate on different dates. They are as follows: Cherries, 1s. 6d. to 1s. 9½d. (June 7th); gooseberries, 6d. to 6½d. (May 24th); strawberries, 2s. 6d. to 2s. 10d. (May 31st to June 6th).

Home-Grown Linseed.—A price of £27 10s. per ton net weight, sacks included, delivered to mill, will be paid by the Ministry of Food for all home-grown linseed of good quality from the 1943 or previous crops. The arrangements for sale in operation this season are to be continued in the coming year. Growers may retain their own linseed for sowing or for feeding to their livestock, but any surplus must be delivered to the nearest seed crushing mill, with the exception of linseed for sowing. The price of linseed sold for sowing or for resale for such use will not be controlled.

Coal Output.—The official figures for the output of saleable coal for the past nine months, with corresponding figures for the previous year, are given in the accompanying table. They do not include production from opencast workings (outcrops), which in the four weeks ending May 15th was 70,500 tons per week. The second table shows what percentages of the standard tonnage were achieved by each district. Those with over 100 per cent qualify for bonuses, and approximately 55,000 miners will receive a bonus.

WEEKLY OUTPUT OF SALEABLE COAL (Weekly Standard Tonnage 4,161,800 tons)			
Four Weeks ended*	1941	1942	
September 5th.....	4,080,200	3,978,000	
October 3rd.....	4,146,600	4,076,100	
October 31st.....	4,131,400	4,124,500	
November 28th.....	4,196,650	4,126,500	
December 26th.....	3,853,400	3,880,100	
1942			
January 23rd.....	3,824,800	3,813,400	
February 20th.....	4,028,000	4,016,400	
March 20th.....	4,074,600	4,013,700	
April 17th.....	3,739,800	4,005,200	
May 15th.....	4,103,900	3,624,600	

* The actual dates given relate to 1942 and 1943.

PERCENTAGES OF DISTRICT TARGETS
REACHED*

During Four Weeks Ended			
	Apr. 17, 1943	May 15, 1943	
Northumberland.....	97-0	98-2	
Cumberland.....	94-2	95-0	
Durham.....	97-5	96-8	
South Yorkshire.....	95-3	94-8	
West Yorkshire.....	92-4	91-8	
North Derbyshire.....	100-3	102-3	
Nottinghamshire.....	96-9	96-8	
South Derbyshire.....	101-5	103-2	
Leicestershire.....	107-0	107-4	
Lancashire and Cheshire.....	98-3	97-0	
North Wales.....	93-5	90-0	
North Staffordshire.....	101-2	100-6	
Cannock Chase.....	94-6	94-0	
S. Staffordshire & Worcestershire.....	91-6	85-9	
Shropshire.....	100-9	98-2	
Warwickshire.....	93-4	92-6	
S. Wales and Monmouthshire.....	95-1	90-6	
Forest of Dean.....	97-5	93-9	
Bristol.....	96-5	92-4	
Somerset.....	102-8	102-7	
Wilt and Clackmannan.....	95-1	93-5	
Lothians.....	98-8	97-9	
Lanarkshire.....	95-6	92-9	
Ayrshire.....			
Kent.....	59-8		

* Percentages based on output, adjusted for tonnage lost through holidays and circumstances beyond the industry's control. † Still under review. ‡ Not yet available.

Wholesale Fish Trade Workers.—It has been decided to withdraw one in eight of the total workers engaged in the wholesale fish trade, including administrative, supervisory and clerical staff. The proportion of workers to be withdrawn will vary in different markets and ports and in different firms. Arrangements are being made where practicable for local committees of the trade and trade unions to be set up, to advise about persons to be withdrawn. Representations that withdrawal will involve exceptional hardship to the workers or to their employers may be made.

Closed Mills.—The Board of Trade has approved the following percentage increases in the maintenance payable to small mills owned by firms who do not own any run-

New York

TRADING on Wall Street during the past week has been moderately active, with peace issues favoured against war stocks. Occasional profit-taking, however, and some lightening of commitments before the holiday generally eliminated scattered gains. The recommencement of the coal strike created some dullness among heavy industrial stocks, but other quotations were generally steady.

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

	1943		May 12, 1943	May 19, 1943	May 26, 1943
	Low Jan. 6	High May 26			
347 Industrials.....	81-1	98-1	96-7	97-2	98-1
32 Rails.....	72-6	98-5(1/2)	96-1	97-1	98-2
40 Utilities.....	67-9	84-3	83-9	85-9	84-3
419 Stocks.....	78-5	96-0	94-7	95-1	96-0
Av. yield %.....	5-36	4-54	4-56	4-57	4-54

(b) May 5. * 50 Common Stocks.

DAILY AVERAGE OF 50 COMMON STOCKS					
	May 20	May 21	May 22	May 23	May 26
118-5	118-4	118-3	118-2	118-5	119-4

Total share dealings: May 27, 1,450,000
May 28, 1,048,000; May 29, 1,260,000; May 31, Memorial
1,260,000; June 2, 1,100,000

* Two-hour session on May 27.
(Continued on p. 741)

ning doubling mills and whose feeding is normally doubling:—Mills: 5,000 5,000 spindle units, 40 per cent 5 per but not over 10,000 spindle units, 100 per cent; over 10,000 but not over 30,000 spindle units, 15 per cent; over 30,000 spindle units, 10 per cent. These increases take effect from December 1st, 1942. The present rate of maintenance of 2d. per spindle unit per month will be continued for all mills which do not qualify for the percentage increases mentioned above.

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

	May 31, 1943	May 28, 1943	May 31, 1943	June 1, 1943	June 2, 1943
Crops.....	117-9	117-8	117-7	117-9	117-8
Raw materials.....	182-3	182-3	182-3	182-3	182-3
Complete Index.....	146-6	146-5	146-5	146-6	146-6
	Mar. 31, 1937*	Aug. 31, 1939	June 2, 1942	May 26, 1943	May 26, 1943
Crops.....	147-9	92-2	115-7	118-3	117-8
Raw materials.....	207-3	122-9	172-7	182-3	182-3
Complete Index.....	175-1	106-4	141-3	146-9	146-6

* Highest level reached during 1932-37 recovery.

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

	Mar. 1937*	Aug. 1939	May 26, 1942	May 11, 1943	May 26, 1943
Cereals and Meats.....	93-0	66-9	111-8	110-3	110-4
Other Foods.....	70-4	61-1	99-1	107-5	107-5
Textiles.....	74-2	54-3	92-7	93-4	93-9
Minerals.....	113-2	95-4	130-7	135-9	135-9
Miscellaneous.....	87-0	77-6	119-0	127-3	127-3
Complete Index.....	87-2	70-3	110-7	114-7	114-8
1913=100.....	119-9	90-8	162-4	157-8	157-9

* Highest level reached during 1932-37 recovery.

GOVERNMENT RETURNS

For the week ended May 29, 1943, total ordinary revenue was £51,792,000, against ordinary expenditure of £99,913,000, and issues to sinking funds of £60,000. Thus, including sinking fund allocations of £1,278,077, the deficit accrued since April 1st is £562,620,000 against £479,037,572 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING
REVENUE AND EXPENDITURE

Revenue		Receipts into the Exchequer (£ thousands)		Week ended May 29, 1943
		April 1 to May 30, 1942	April 1 to May 29, 1943	
ORDINARY REVENUE				
Income Tax.....	91,113	108,873	5,765	12,144
Sur-tax.....	6,270	6,462	370	550
Estate, etc.....	17,336	17,248	1,450	2,712
Duties.....	1,750	1,690	20	300
Stamps.....	3,953	3,101	360	368
N.D.C.....	34,710	56,452	3,850	5,940
E.P.T.....	180	100	30	
Other Inland Rev.....				
Total Inland Rev.....	155,312	193,926	11,845	22,014
Customs.....	72,420	84,389	7,372	9,009
Excise.....	67,100	79,252	15,400	21,752
Total Customs & Excise.....	139,520	163,641	22,772	30,761
Motor Duties.....	2,928	1,617		
Canadian Govt. Contribution.....	49,438		8,989	
Post Office (Net Receipts).....	6,150	1,400	Dr 1,100	Dr 1,850
Wireless Licences.....	510	600	240	300
Crown Lands.....	200	190	40	50
Receipts from Sundry Loans.....	488	748		
Miscell. Receipts.....	12,163	9,929	933	518
Total Ord. Rev.....	366,709	372,051	43,719	51,792
SELF-BALANCING P.O. & Brdcastg.				
	15,100	16,900	3,150	3,500
Total.....	381,809	388,951	46,869	55,292

Expenditure		Issues out of the Exchequer to meet payments (£ thousands)		Week ended May 29, 1943
		April 1 to May 30, 1942	April 1 to May 29, 1943	
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	56,996	59,067	775	969
Payments to N. Ireland.....	980	1,006	327	336
Other Cons. Fund Services.....	358	277	11	10
Total.....	58,334	60,350	1,113	1,315
Supply Services.....	786,280	873,043	109,905	98,598
Total Ord. Exp.....	844,614	933,393	111,018	99,913
SELF-BALANCING P.O. & Brdcastg.				
	15,100	16,900	3,150	3,500
Total.....	859,714	950,293	114,168	103,413

After increasing Exchequer balances by £498,407 to £3,154,142, the other operations for the week (no longer shown separately) raised the gross National Debt by £48,904,315 to £17,427 million.

NET ISSUES (£ thousands)		
P.O. and Telegraph.....		200
Overseas Trade Guarantees.....		25
		225

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between May 28th and June 3rd. (Figures in brackets are par of exchange.)

United States. \$ (4-86) 4-02½-03½; mail transfers 4-02½-03½.	Canada. \$ (4-86) 4-43-44; mail transfers 4-43-44.	Switzerland. Francs (25-23) 17-30-40.	Sweden. Krona (18-159) T.T. 16-85-95, bank notes at Bank of England, 17-40 kr. Dutch West Indies. Florin (12-11) 7-58-62; Portugal. Escudos (120) 99-80-100-20; mail transfers 99-80-100-30. Panama. 99-80-100-20; mail transfers 4-02-04½. Brazil. 85-64½ cr. (buying). Uruguay. 7-6597 p. (buying).
---	--	---------------------------------------	---

Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate). Turkey. Piastres 520. Italy. 71-25 lire.

Finance

MONTH'S CHANGES IN DEBT

NET INCREASES (£ thousands)		NET REPAYMENTS (£ thousands)	
Treasury Bills.....	93,704	Treasury Dep. by Banks.....	£0,000
Nat. Sav. Certs.....	36,000		
3½ Def. Bonds.....	18,444		
2½ Nat. War Bonds, 1949-51.....	9		
2½ Nat. War Bonds, 1951-53.....	101,610		
3½ Sav. Bonds, 1960-70.....	70,145		
Other Debt.....	2,343		
Internal.....	311		
External.....			
Ways and Means Advances.....	29,480		
Tax Res. Certs.....	23,051		
	375,097		£0,000

FLOATING DEBT

Treasury Bills (£ millions)		Ways and Means Advances (£ millions)		Treasury Deposits by Banks (£ millions)		Total Floating Debt (£ millions)
Date	Tender	Tap	Public Depts.	Bank of Eng.	by Banks	
1942						
May 30	975-0	1805-3	254-8	...	518-5	3553-6
1943						
Feb. 27	980-0	1829-7	230-1	24-7	1000-5	4065-1
Mar. 6	975-0					
" 13	975-0					
" 20	975-0					
" 31	975-0	2838-9	282-5	6-5	969-0	4096-9
Apr. 3	975-0					
" 10	975-0					
" 17	980-0					
" 24	990-0	1867-2	203-8	...	1043-5	4104-5
May 1	1005-0					
" 8	1020-0					
" 15	1035-0					
" 22	1050-0					
" 29	1065-0	1885-9	233-3	...	983-5	4167-7

TREASURY BILLS

(₹ millions)						
Date of Tender	Amount			Average Rate of Allotment		Per Cent Allotted at Min. Rate
	Offered	Applied for	Allotted	%		
1942				s.	d.	
May 29	75-0	151-5	75-0	20	0-70	36
1943						
Mar. 5	75-0	161-7	75-0	19	11-68	25
" 12	75-0	164-5	75-0	20	0-29	30
" 19	75-0	169-9	75-0	20	0-58	30
" 26	75-0	157-4	75-0	20	1-82	11
Apr. 2	75-0	150-6	75-0	20	2-39	30
" 9	80-0	164-3	80-0	20	2-67	31
" 16	85-0	159-2	85-0	20	2-77	37
" 23	90-0	153-1	90-0	20	2-85	43
" 30	90-0	167-0	90-0	20	0-17	70
May 7	90-0	179-9	90-0	20	0-39	36
" 14	90-0	154-7	90-0	20	0-44	44
" 21	90-0	157-2	90-0	20	0-46	44
" 28	90-0	159-5	90-0	20	1-13	46

PROVINCIAL BANK CLEARINGS

& thousands

Week Ending	May 29, 1942	May 29, 1941	May 29, 1940	May 29, 1939
Working days	5	6	12	12
Birmingham	1,883	2,113	54,549	54,002
Bradford	2,410	2,014	48,756	42,900
Bristol	2,361	624	51,275	15,060
Hull	653	708	17,340	15,882
Leeds	1,164	1,853	25,081	25,892
Leicester	624	912	18,539	19,465
Liverpool	3,634	4,341	102,546	98,276
Manchester	9,714	11,624	254,877	256,951
Newcastle	1,388	1,493	35,986	33,011
Nottingham	340	476	10,583	10,865
Sheffield	487	640	19,138	21,566
Southampton	91	156	2,675	3,037
12 Towns	24,762	26,954	649,425	604,835
Dublin*	6,327	6,855	144,431	152,323

* May 23, 1942, and May 22, 1943.

OVERSEAS BANK RETURNS

RESERVE BANK OF INDIA

Million rupees

Assets	May 22, 1942	April 30, 1942	May 14, 1941	May 21, 1940
Gold coin & bullion	444	444	444	444
Rupee coin	276	164	147	130
Balances abroad	536	81	758	774
Sterling securities	2,518	5,015	5,155	5,235
Ind. Govt. r.p. sec.	1,492	1,277	1,257	1,257
Investments	84	54	75	75
LIABILITIES				
Notes in circ.	4,283	6,776	6,897	6,961
Deposits: Govt.	153	308	256	262
Banks	516	770	475	491
Reserve ratio	62.6%	79.1%	80.0%	80.5%

U.S. FEDERAL RESERVE

Million \$'s

Assets	May 29, 1942	May 29, 1941	May 29, 1940	May 29, 1939
Gold certifi. on hand and due from Treasury	20,507	20,235	20,235	20,205
Total reserve	20,412	20,437	20,449	20,628
Total cash reserve	2,899	354	365	370
Total U.S. Govt. sec.	2,489	6,172	6,038	6,180
Total bill. and sec.	2,505	6,211	6,061	6,215
Total resources	24,427	28,544	28,496	28,434
LIABILITIES				
F.R. notes in circ.	8,990	13,200	13,255	13,356
Excess res. bank res.	2,540	1,730	1,640	1,500
Mr. bank res. dep.	12,447	11,899	11,882	11,838
Govt. deposits	2,371	6,301	379	335
Total deposits	14,137	13,707	13,368	13,506
Total liabilities	24,247	28,544	28,496	28,434
Reserve ratio	90.0%	76.4%	77.0%	76.8%
Bank and Treasury				
Monetary gold stock	22,712	22,454	22,455	22,425
Treasury & bank currency	3,592	4,044	4,051	4,072
LIABILITIES				
Money in circulation	11,971	16,741	16,795	16,902
Treasury cash and dep.	2,436	2,882	2,643	2,612

AUSTRALIAN COMMONWEALTH BANK

Million £'s

Assets	Mar. 15, 1942	Feb. 15, 1941	Mar. 15, 1940	Mar. 15, 1939
Gold and English ster.	22.95	32.64	32.64	33.89
Other coin, bullion, etc.	7.05	8.88	8.49	9.67
Call money, London	26.22	44.14	37.72	37.54
Secur. and Treas. bills	93.37	184.74	196.17	199.76
Discounts and advances	36.46	24.94	29.55	29.30
LIABILITIES				
Notes issued	88.36	126.11	112.8	61.129
Deposits, etc.	115.52	168.37	113.08	174.56

RESERVE BANK OF NEW ZEALAND

Million £N.Z.'s

Assets	Mar. 15, 1942	Mar. 15, 1941	Mar. 15, 1940	Mar. 15, 1939
Gold and ster. exch.	21.15	34.85	34.03	34.33
Advances to State	30.64	32.66	33.08	31.11
Investments	4.15	4.46	4.46	4.46
LIABILITIES				
Bank notes	24.13	30.26	30.22	30.28
Demand liab. to State	13.46	24.94	19.22	17.04
Banks and others	16.65	16.75	21.33	21.99
Reserve to sight liab.	38.9%	48.4%	48.1%	49.8%

BANK OF CANADA

Million Can. \$'s

Assets	April 29, 1942	April 7, 1941	April 11, 1940	April 28, 1939
Reserve: Gold	209.5	0.2	0.1	2.4
Other	637.1	1045.4	1056.5	1099.2
LIABILITIES				
Note circulation	516.6	728.0	731.4	743.3
Deposits: Dom. Govt.	97.9	46.3	29.3	59.5
Chartered banks	206.8	245.8	257.1	259.5

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

SOUTH AFRICAN RESERVE BANK

Million £'s

Assets	April 24, 1942	April 2, 1941	April 9, 1940	April 22, 1939
Gold coin and bullion	52.04	66.06	66.92	67.07
Bills discounted	1.09	9.19	8.45	7.99
Invest. and other assets	53.21	82.08	81.26	83.07
LIABILITIES				
Notes in circulation	28.57	41.37	39.98	39.86
Deposits: Government	13.44	12.37	10.84	12.69
Reserve ratio	50.9%	43.6%	44.1%	43.7%

CENTRAL BANK OF ARGENTINA

Million paper pesos

Assets	April 15, 1942	Feb. 15, 1941	Mar. 15, 1940	April 15, 1939
Gold at home	1,076	1,076	1,076	1,076
Other gold and for. exch.	522	1,182	1,226	1,376
Non-int. Govt. bonds	119	113	113	113
Treasury bonds	394	392	392	392
LIABILITIES				
Notes in circulation	1,454	1,609	1,608	1,611
Deposits: Government	68	237	205	487
Banks	558	799	805	734
Certs. of participation	22	27	27	22
Reserve ratio	75.6%	80.9%	81.5%	81.8%

UNITED STATES: MONTHLY STATISTICS

Unit of Measurement	Monthly Average											
	1929	1932	1939	1940	1941	1942	Feb.	Mar.	Apr.	Oct.	Nov.	Dec.
Population June, 1940: 131,954,000; Area: 3,026,789 sq. miles; 7,839,432 sq. kms.												
1. Industrial production, adj. F.R.B.	110	58	108	122	155	172	171	173	191	194	197	205
2. Manufacturing, dur. adj. F.R.B.	110	58	108	122	155	172	171	173	191	194	197	205
3. Manufacturing, non-dur. adj. F.R.B.	132	41	109	138	193	250	225	230	234	273	279	283
4. Non-dur. prod. adj. F.R.B.	93	70	109	113	151	141	142	139	139	144	147	148
5. Minerals, adj. F.R.B.	107	67	106	117	125	129	133	126	125	129	130	127
6. Total, adj. F.R.B.	117	28	72	81	122	166	128	125	128	185	198	175
7. Residential, adj. F.R.B.	87	13	60	72	89	81	100	95	82	83	90	91
8. Other, adj. F.R.B.	142	40	81	89	149	236	151	149	165	269	286	243
9. Freight-car loadings, adj. F.R.B.	152	78	101	109	130	138	139	136	143	133	134	134
10. Dept. store sales, adj. F.R.B.	111	69	90	94	110	124	126	124	117	128	138	125
11. Non-agricultural, adj. F.R.B.	...	...	29,757	30,992	34,409	36,986	35,953	36,002	36,063	37,962	35,325	38,842
12. Agricultural, adj. F.R.B.	...	...	3,062	3,098	3,400	3,986	3,953	3,960	3,963	37,962	35,325	38,842
13. Total, adj. F.R.B.	...	...	32,819	34,090	37,809	40,972	39,906	40,002	40,026	75,924	70,667	77,684
14. Factory, adj. F.R.B.	106-0	77-6	100-0	104-2	115-6	124-3	120-8	121-0	128-8	130-5	130-5	130-6
15. Unadj. F.R.B.	106-1	66-4	100-0	107-5	132-1	152-3	142-3	144-3	147-1	158-9	164-9	167-3
16. Payrolls, unadj. F.R.B.	119-8	50-7	100-0	114-5	167-5	242-2	208-2	215-1	221-4	270-9	280-4	287-6
17. Average hourly earnings, B.L.S.	...	45-8	64-4	67-0	73-6	...	42-2	42-5	42-4	43-6	44-4	44-5
18. Cost of living, F.R.B.	122-5	97-6	99-4	100-2	105-2	116-5	112-9	114-3	115-1	119-0	119-8	120-4
19. Wholesale prices	...	...	...	...	...	...	...	...	...	...	...	...
20. Farm products, B.L.S.	104-9	48-2	65-3	67-7	82-4	105-9	101-3	102-8	104-5	109-0	110-5	113-8
21. Foods, B.L.S.	99-9	61-0	70-4	71-3	82-7	99-6	94-6	96-1	98-7	103-4	104-3	107-4
22. Other commodities, B.L.S.	91-6	70-2	81-3	83-0	89-9	95-5	94-9	95-2	95-6	95-8	96-0	96-5
23. Wholesale com. prices, unadj., F.R.B.	95-3	64-8	77-1	78-6	87-3	98-8	96-7	97-6	98-7	100-0	101-0	101-9
24. Total, all reporting centres	...	...	...	...	...	...	...	...	...	...	...	...
25. New York City	81,878	...	35,328	37,155	44,783	50,589	41,545	49,161	46,613	55,056	50,673	64,991
26. Gold stock	50,257	...	14,265	14,299	14,810	17,580	14,242	17,056	16,023	18,323	17,016	23,921
27. Money in circulation	3,996	3,952	7,644	21,995	22,737	22,726	22,705	22,687	22,691	22,740	22,743	22,726
28. Member Bank Res. Balances	4,476	5,328	7,171	7,901	9,816	...	11,485	11,566	11,767	12,210	14,805	15,410
29. Excess Reserves	2,358	2,114	10,466	13,331	...	...	12,619	12,575	12,658	12,736	13,208	13,117
30. Capital issues, C.F. Chronicle	43	256	4,466	6,376	...	...	2,696	3,073	2,791	2,644	2,909	1,988
31. 354 Indus. securities, Stand. Statistics	595	99	186	163	238	...	123	110	159	28	37	7
32. Yield on Govt. bonds	100	24-4	55-5	...	47	...	38	45	45	46	48	48
33. Income payments, adj.	3-60	3-66	2-36	2-21	1-95	2-02	2-09	2-00	1-98	2-05	2-06	2-06
34. Treasury receipts	122-9	70-6	105-5	113-8	137-3	169-4	155-6	157-4	161-1	180-8	186-0	190-4
35. " expend., national defence	4,032	2,076	5,595	7,606	...	...	937	3,548	732	488	830	2,702
36. " total	3,852	4,320	9,528	12,774	...	...	2,208	2,809	3,238	5,481	6,042	5,825
	...	...	...	...	...	...	2,629	3,421	3,753	5,937	6,363	6,500
	...	...	...	...	...	...	6,372	6,119	7,354	...	...	...

(Continued from page 740)

Capital Issues

Week ending June 5, 1943	Nominal Capital	Conversions	New Money
Particulars of Government issues appear on page 741.			
Year†	Including Conversions	Excluding Conversions	
1943	804,869,677	789,520,593	
1942	747,518,144	743,516,08	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1943	787,506,231	1,375,685	638,677
1942	743,278,289	190,308	37,488
Year†	Deb.	Pref.	Ord.
1943	782,355,766	659,837	6,554,990
1942	737,320,619	531,913	5,663,563

† Includes Government issues to May 25, 1943, only. Above figures include all new capital in which permission to deal has been granted.

Shorter Comments

Canadian Pacific Railway (\$000's).
Gross earnings April, 1943, \$24,046 (\$20,622), net earnings \$3,791 (\$3,556)
Aggregate gross earnings, Jan.-end April \$87,329 (\$78,266), aggregate net earnings \$12,468 (\$13,540).

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 1942		Prices, Year 1943 Jan. 1 to June 1		Name of Security	Price, May 25, 1943	Price, June 1, 1943	Yield, June 1, 1943	Prices, Year 1943 Jan. 1 to June 1		Last two Dividends		Name of Security	Price, May 25, 1943	Price, June 1, 1943	Yield, June 1, 1943																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
High	Low	High	Low					High	Low	(a)	(c)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
British Funds																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								
83½	81	83½	80½	Consols 2½	81	81½	5 1 9	51/9	47/3	4	%	Iron, Coal and Steel	49½	47/3	4 13 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
113½	109½	112½	110½	Consols 4% (after 1957)	111½	111½	3 12 5½	54½/11	49/3	3	11½ b	Babcock & Wilcox £1	53/3	53/3	5 12 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
100½	99½	100½	100½	Conv. 2½ 1943-45	100½xd	100½	1 17 6	26½	23/6	3	5 b	Bolsover Colliery Ord. £1	31/3	30/3	3 6 0½																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
101½	99½	101½	100½	Conv. 2½ 1944-49	101	101½	1 19 8	29½	21/7½	Nil	c	Colvilles Ord. £1	24/9	23/6	6 16 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
103½	101½	104	102½	Conv. 3% 1948-53	102½	103	2 8 0	34/9	30/-	6	b	Dorman Long Ord. £1	27/6	27/6	5 16 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
108½	105½	107½	104½	Conv. 3½ (after 1961)	105	105½	3 6 8/5	35/9	30/6	7	15 b	Good Keen & Co. Ord. £1	34/3	33/3	6 15 3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
105½	103½	107½	102½	Funding 2½ 1956-61	102½	103	2 6 9	53/9	49/-	12½	12½ a	Hadfield Ord. £1	51/6	51/6	2 8 6½																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
96½	93½	97½	94½	Funding 2½ 1952-57	99½	99½	2 16 3	50/9	45/6	4	5 b	Stewarts and Lloyds £1	51/6	50/9	4 18 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
102½	99½	102½	99½	Funding 3% 1959-69	100	100	3 0 0	10/3	8/3	Nil	c	Swan, Hunter Ord. £1	39/-	39/-	5 2 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
116½	113½	115½	112½	Funding 4% 1960-90	113½	113½	3 0 0	27½/4	25/-	5½	2½ a	Thomas (Richard) Ord. 6/8	10/-	9/9	3 7 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
102	99½	102½	101½	Nat. Def. 2½ 1944-48	101½	102	1 19 0½	20/10½	17/10½	4	a	United Steel Ord. £1	27/-	26/6	6 0 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
103½	100½	102½	101½	Nat. Def. 3% 1954-58	101½xd	101½	2 17 10	17/10½	17/10½	4	a	Vickers Ord. 10/-	20/-	19/6	5 2 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
101½	99½	101½	101½	War Bonds 2½ 1945-47	101½xd	101½	1 19 6	14½/13	14½/13	Nil	c	Textiles	17/-	17/-	Nil																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
101½	99½	101½	100½	War Bonds 2½ 1946-48	101½	101½	1 19 3	22/9½	15/9	Nil	c	Bradford Dyers Ord. £1	21/9	20/9	Nil																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
101½	99½	101½	101½	Savings Bds. 3% 1955-65	100½	100½	3 1 0½	45½/43	5 5 b	3½ a	5 b	British Celanese Ord. 10/-	45½-xd	45/-	3 17 9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
115½	113½	117½	113	Victory Bonds 4%	100½	113½	50 6 1	45½/43	45½/43	5 b	3½ a	Coats, J. & P. Ord. £1	49/6	49/3	3 0 9																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
106½	103½	106½	103½	War Loan 3% 1955-59	100½	100½	2 19 0	17/9	15/3	3	3 c	Courtaulds Ord. £1	17/-	17/-	4 8 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
97½	95½	98½	94½	War Loan 3½ aft. 1952	103½	103½	3 7 0	34/9	31/-	7½ c	7½ c	Fine Cotton Spinners £1	33½	33½	4 10 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
101	98½	100½	98	Local Loans 3%	95½	95½xd	3 2 0					Electrical Manufg.	82/-	82/-	3 13 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
101	98½	100½	98	Redemption 3% 1986-96	98	98½	3 1 0	82/6	76/3	10	b	Callenders Cable, etc. £1	25/-	25/-	4 0 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
102	101	102	101	Austria 3% 1933-53	102	102	2 16 3	26½/7½	24/9	12½ b	7½ a	Crompton Park 'A' 5½	48/-	48/-	4 0 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
102	101	102½	101½	Dom. & Col. Govts.	102	102xd	3 18 10	50/1½	44/6	10	c	English Electric Ord. £1	89/-	89/-	3 18 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
103	100½	104½	102½	Australia 5% 1945-75	104	102xd	4 5 6	90/-	85/-	17½ c	17½ c	General Electric Ord. £1	38/6	39/-	4 2 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
111	106½	112½	110	New Zealand 5% 1946	111	111	3 7 5	43/3	37/-	3	a	County of London £1	18/-	18/-	1 2 3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
108½	105½	108½	105½	Nigeria 5% 1950-60	106½	106½	2 14 2	35/-	31/3	2½ a	4½ b	Gas Light & Coke Ord. £1	32/-	32/-	4 7 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
97	93½	98½	94	Corporation Stocks	94½	94½	3 3 6	42/-	37/3	2½ a	5½ b	North-East Electric £1	37/6	37/6	4 5 3																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
100½	98	100½	99½	Birmingham 5% 1946-56	99½	99½	3 1 1	42/9	39/3	3	a	Scottish Power Ord. £1	40/-	40/-	4 0 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
106½	104½	106½	105	L.C.C. 3%	105½	105½	3 0 0	21/10½	19/7½	10	c	Yorkshire Electric £1	20/6	20/3	4 17 6																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
102	97½	102	99½	Liverpool 3% 1954-64	102	102	4 9 6	25½/4	22½	7½ c	10 c	Motor and Aircraft	23/3	23/3	6 9 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
64½	46½	68½	61½	Middlesex 3½ 1957-62	67½	68½	4 13 0½	12½/10½	12½/10½	7½ c	7½ c	Austin & Lyall £1	13½/11	12½/10½	7 15 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
103½	76	104½	100	Argentine 4½ Stg. Bds.	103½	104	3 16 0	19/6	16/3	18	c	Bristol Aeroplane 10/-	18½	18½	4 7 9½																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
92½	70½	97½	88	Brazil 5% Funding 1914	97½	97½	3 1 6	34/9	30/3	3	a	Fairey Aviation Ord. 10/-	33/6	32/6	3 14 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
61½	33	72½	56	Child 6% (1929)	70	72½	5 10 4	19/10½	17/6	15	a	Ford Motors Ord. £1	18½/4	18½	8 15 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
				Egypt Unified 4%	103½	104	3 16 0	78/6	68½	2½ a	12½ b	Hawker Siddeley 5/-	76½	75	4 0 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
				Portuguese 3%	97½	97½	3 1 6	39/4½	37/6	17½ b	10 a	Lucas (Joseph) Ord.	38/9	39/-	2 4 9½																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
				Spanish 4%	70	72½	5 10 4	110/-	100/-	20	c	Morris Motors 5/- Ord.	101/3	101/3	3 19 0																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
												Shipping	19/9	19/9	2 10 6½																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																									
																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																								</

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5207 REGISTERED AS A NEWSPAPER JUNE 12, 1943 Entered as Second Class Mail Matter at the New York, N.Y., Post Office 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

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mombasa	Nairobi	British E.A.
Bombay	Delhi	Nuwara	Nakuru	
Calcutta	Kandy	Rangoon	Entebbe	
Cawnpore	Karachi	Tuticorin	Jinja	Uganda
Chittagong	Lahore	Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga		Tanganyika Territory

SUBSCRIBED CAPITAL... £4,000,000

PAID-UP CAPITAL... £2,000,000

RESERVE FUND... £2,200,000

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

THE HONGKONG AND SHANGHAI BANKING CORPORATION

AUTHORISED CAPITAL - \$50,000,000
ISSUED AND FULLY PAID-UP - \$20,000,000
RESERVE FUNDS - \$6,500,000
HONGKONG CURRENCY - £625,000
RESERVE LIABILITY OF SHAREHOLDERS - \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED

9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government) Branches and Agencies throughout Australia.
Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 8,000 Agencies.

Post Offices in Australia.
As at 30th June, 1942.—General Bank Balances... \$181,729,889
Savings Bank Balances... 164,819,889
Note Issue Department... 111,980,642
Rural Credits Department... 2,421,174
Other items... 20,880,871
£481,101,745

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

THE NATIONAL BANK OF SCOTLAND

Head Office: EDINBURGH

Branches throughout SCOTLAND

LONDON OFFICES: 37 Nicholas Lane, E.C.4; and 18-20 Regent Street, Piccadilly Circus, S.W.1

Every description of Banking Service undertaken, including Foreign Exchange, Trustee and Executorship business.

DUTTON ONE - WEEK SHORTHAND is learnt in twelve 2-hour postal lessons. Send 3d. in stamps for first lesson to E.C., 92, Gt. Russell Street, London, W.C.1.

MIDLAND ELECTRIC CORPORATION FOR POWER DISTRIBUTION, LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS of the 34 per cent. FIRST MORTGAGE DEBENTURE STOCK, 1965-73, of the Company will be CLOSED from the 16th-30th June, 1943, both dates inclusive, for the preparation of Interest warrants. Warrants will be posted on 29th June, 1943.

By Order of the Board, F. W. CATER, Secretary.

Toll End Road, Tipton, Staffs.
25th May, 1943.

TERRITORY OF SOUTHERN RHODESIA

SALISBURY MUNICIPAL LOAN
ISSUE OF £100,000 FOUR AND A HALF PER CENT. BONDS TO BE PAID BY DRAWING (FINAL DRAWING)

NOTICE IS HEREBY GIVEN that in accordance with the conditions on which the above Loan was issued the following BONDS were on the 1st June, 1943, DRAWN for redemption at par on the 30th June, 1943:—

Bonds numbered 22, 85, 240, 269, 342, 613, 765, 804.
Viz.: Eight Bonds of £100 each.
Present, Walter F. Murly, Notary Public, representing the firm of Cheeswright, Casey, Duff, Watts and Co., Notaries, 23, Lime Street, London, E.C.3.

The Bonds and all Interest Coupons not then due must be left at the office of the Standard Bank of South Africa, Ltd., 10, Clements Lane, E.C.4; three clear days for examination. Payment of Principal will be made on and after the 30th June, 1943, from which date the Bonds will cease to bear interest. In addition to the above, Bonds amounting to £29,300 have previously been purchased and drawn.

For the Standard Bank of South Africa, Ltd., RALPH GIBSON, Manager.
1st June, 1943.

A Hopeful Conference -	745	The Wolf and the Fold -	750
Reunion in Algiers -	747	Hot Springs: A Summary -	751
The Empty Cradle -	748	End of Aberhartism -	758

NOTES OF THE WEEK -	752	INVESTMENT -	763
---------------------	-----	--------------	-----

Design for Victory; Bombs v. Torpedoes; A Palace Revolution; Government by Military Junta; The French National Committee; Parliament; Enterprise; Labour and Beveridge; In Darkest Scotland; The VADs; Whistling in the Dark; Re-educating Germany; Licensing; Shorter Notes.

AMERICAN SURVEY -	756	INDUSTRY AND TRADE -	766
-------------------	-----	----------------------	-----

Agricultural Conversion; Reciprocal Trade; Security for All; Fetters for Labour; The Negro's Wage; Shorter Notes.

THE WORLD OVERSEAS -	758	COMPANY MEETINGS -	769
----------------------	-----	--------------------	-----

The End of Aberhartism; Bolivia at War; A Merchant Navy for Eire; Changes in Arab Economy.

FINANCE AND BANKING -	762	RECORDS AND STATISTICS -	771
-----------------------	-----	--------------------------	-----

Immobilised Credit; Peso Exchange Moves; Argentina's Gold Clause; Smaller Credit Expansion; Vertical Combination in Lombard Street.

A Hopeful Conference

IT looks as though an important blow for sanity in world economics has been struck at Hot Springs, Virginia. When the United Nations Conference on Food and Agriculture met a month ago, there was no evident reason to suppose that the unhappy precedents of earlier conferences on these subjects, and in particular the precedent of last year's unfortunate Wheat Conference, would be forsaken. It seemed only prudent to apprehend that yet another assembly mainly representing the interests of producers would formulate yet another programme, however well disguised, to keep up prices and restrict supplies. But this, apparently, has not happened. Judged by their recommendations (which are summarised on page 751) the delegates to Hot Springs devoted most of their time and expert knowledge to the over-riding problem which the interests of the world's inhabitants required them to solve—the problem of providing more and better food for 2,000 million people to eat. To this end almost all their proposals for the expansion of production, the improvement of nutrition and the enhancement of consumption are specifically directed; and to this extent President Roosevelt's description of their work as "epoch-making" is no doubt justified.

It is, however, much too soon to rejoice. The Conference was representative of nearly 40 nations but responsible for the policy of none. When the President claims that its delegates have unanimously agreed that the world's problems of food supply "can and must—and will—be solved" he overstates their powers. Such a conference can only propose. The responsibility now rests upon Presidents and Prime Ministers, Cabinets, Congresses, Parliaments, political parties and, above all, public opinion to see that good deeds follow fair words. The consumer is a sceptic by experience. Words and phrases, he knows, are at the disposal of politicians, and can have a whole dictionary of meanings. He has often heard of projects to put "a chicken in every pot", and every time stayed hungry. He has learned by repeated trial that the planning of production to meet the needs of consumption usually means the curtailment of both; that the fixing of prices "fair to both producers and consumers"—a constant theme in the Hot Springs recommendations, and in itself unexceptionable—almost always results, by an odd coincidence, in a price appreciably higher than he can afford to pay; and that "the full employment of the world's resources for the benefit of



Make contact now!

Australasia is now establishing vast new industries and developing the old. Australia's largest and oldest Bank can introduce you to this rapidly growing market. Enquiries are invited.

BANK OF NEW SOUTH WALES

Established 1817. Incorporated in New South Wales with Limited Liability

LONDON OFFICES

29, Threadneedle St., E.C.2. 47, Berkeley Sq., W.1.

You can purchase
3% Savings Bonds
by Easy Payments

WITH VALUABLE LIFE COVER

through the

GRESHAM LIFE
ASSURANCE SOCIETY LTD.

Head Office: 188-190 Fleet Street, London, E.C.4

Enquire, stating age, for particulars

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £8,000,000

CLAIMS PAID EXCEED - £14,000,000

(1942 Accounts.)

all" is generally interpreted in practice as the complete protection of each country's farmers, whatever their comparative efficiency or the suitability of their crops, to the detriment of everybody. He has a simple faith in cheapness and plenty and is heartened by the declaration from Hot Springs that the trade barriers and restrictive economic policies, which he knows to be the chief impediments to four square meals a day, should—and can—be removed.

It would be churlish, and indeed defeatist, to allow a proper sense of the political difficulties and national obstacles which have still to be surmounted to diminish the praise that is due to the Hot Springs Conference for the able and encouraging picture it has drawn of the practical possibilities open to common sense and co-operation. The problem has been tackled from its two ends: the need to increase the selling power of farmers by enabling them to produce food more efficiently, and so to sell more of it at lower prices; and the need to increase the buying power of consumers by enabling them to produce other goods more efficiently, and so to buy more food in exchange. The root of the trouble in the past, when overproduction in agricultural communities has been accompanied by undernourishment and even starvation in almost every country, has been the unbalance between actual needs and effective demand; and it is only by an all-round increase in productivity—and not by any juggling with monetary counters—that the terms of trade can be established between agriculture and industry which will enable supply and demand to be equated at the highest possible level of food supply. The focusing of the Conference's proposals upon expansion and efficiency, in both the agricultural and industrial fields, however manifold the interpretations that may still be put by politicians upon its recommendations and qualifying phrases, is, nevertheless, a contribution to economic wisdom.

Expansion and efficiency are the first two Hot Springs principles. The third is ease of exchange. The establishment of optimum terms of world trading between farm production and manufacture implies the utmost possible freedom of international exchange. The picture drawn at Hot Springs is very clear. The prior charge upon each country will be to provide the foods of high nutritional value, such as milk, other dairy produce, vegetables and fruit, which are mostly perishable and best produced as near as possible to centres of consumption; the want and need for these protective foods, which are most of all lacking in wartime, is almost unlimited in nearly every country. Beyond this basic domestic priority, "consumption needs must be met from the most efficient sources of production" in whatever areas, at home or abroad, those sources may be found; and, with specific safeguards for the conservation of the soil and its fertility, "the inherent natural and economic advantages of any area should determine the system of farming adopted and the commodities produced." Essentially, this programme for feeding the world is a manifesto for freer trade and the international division of labour. At the one end, it implies the maximum output of the right foodstuffs in the right places. At the other end, it implies ready entry for foreign foodstuffs in the quantities required and at a price that consumers can pay; and it implies, no less, the development of industries, and therefore of purchasing power, in backward areas by the unimpeded international investment of surplus savings. It is a programme of full employment in each country and the eager exchange of goods, services and capital between the nations. It is not a policy of "cut-throat competition," or "disorderly *laissez faire*." A *sine qua non* of success is a guarantee to efficient producers of stable prices which, while not surpassing the average of prices over a period in an unguided market, will prevent the collapses which have been the bane of producers in the past; the purpose of the British plan for a buffer pool, like that of the Keynes proposal for an international clearing union, is to facilitate policies of economic expansion, nationally and internationally. The protection of pro-

ducers and the restriction of supply by high tariffs or quantitative restrictions on imports is *ipso facto* an offence; the protection of consumers and the maintenance of demand by social security measures or subsidies to special classes is, on the other hand, a virtue.

What are the chances of translating precept into practice and achieving this state of expansion, efficiency and mutually beneficent exchange? The political obstacles, national and sectional, are of long standing. The right principles of production and trade were not invented at Hot Springs; they have always been right, and the chief factor preventing the nations of the world from eating as adequately as possible, within the limits set by the current technique of production, transport and storage, has always been the desire of all the nations to eat at each other's expense. The present and the immediate future are especially difficult times to make new sense out of these old nonsenses. Of necessity, war economy is uneconomic. Because of wartime barriers to trade and wartime shortages of transport, manpower, fertilisers and machinery, the wrong foodstuffs (by economic standards) have to be grown in the wrong places (again by economic standards) to be eaten on the spot at a relatively high cost in both real and monetary terms. Conditions of siege, blockade and devastation put an end, very largely, to the international division of labour. By a policy of *saute qui peut* in almost every belligerent country, all seeking self-sufficiency at all costs, the output of energy foods, such as cereals, is pushed up, while the protective foods go lacking. World agriculture is hopelessly unbalanced and distorted—and a vested interest in uneconomic farming is created in each separate nation. Moreover, as the delegates to the Conference have recognised, this state of affairs will not end when the fighting ends. "War economy" will continue for an unspecified period of months or years during the emergency and relief stage, when the overriding need will be to succour the starving until their agriculture and their trade can be restored. The emphasis will still tend to be on quantity, regardless of quality, efficiency or cost; and the task of reversing the engine at the end of this period, to establish the brave new diet envisaged at Hot Springs, will be correspondingly difficult. The farming forced on nations by wartime shortages and the severance of communications is poles apart from the programme of abundance that co-operation and common sense could devise in a peaceful world; but it is too close to the narrow nationalistic aspirations of politicians and producers, as they have been demonstrated in the past, for the prospects of an easy change-over to be contemplated with any optimism.

This is the issue upon which the Governments of the world must fasten if the nations are to be fed amply and well in the future. It is not enough to pay lip-service to the good work and counsel of this conference. Its vision of an efficient and fruitful world agriculture based upon the expansion of world production according to a functional division of tasks must also be accepted in specific terms. The Permanent International Organisation, proposed by the Conference, on the lines of the International Labour Organisation, is indispensable to collate world data and to concert joint action among the nations. But crucial decisions of policy are no less urgently and immediately required in every country—above all a self-denying ordinance not to seek by any means to perpetuate beyond the period of *saute qui peut* the present artificial distribution of output which, in quantity, would restrict supplies and, in quality, make impossible the provision of a balanced as well as a sufficient diet to all the peoples. Such a decision is especially required in Britain, whose buying power is a key to both world stability and its own welfare. A continuation of the present programme of all-out food production in this country may conceivably fit the abnormal requirements of a world torn by war and its aftermath. As the foundation of a long-term policy, it would be the negation of world and, especially, British interests—and an outright denial of the principles that seem to have emerged from the Conference at Hot Springs.

Reunion in Algiers

FOR nearly fifty years, between 1871 and 1918, among the statues on the Place de la Concorde representing France's cities, two were veiled, a reminder of the servitude of Strasbourg and Metz. So, too, for the last three years the tragic figure of a betrayed and occupied France has stood among its allies on the front of freedom. Today the unveiling has begun. The tragic *absum* of June, 1940, has been rescinded. From the union of the forces of General Giraud and General de Gaulle, the sovereignty of France has re-emerged in a central authority, the Committee of National Liberation, which represents all Frenchmen save the few whom General Giraud does "not call Frenchmen, that handful of traitors who have played the game of the enemy fully and deliberately."

The tragedy of France—the profoundest tragedy in all this tragic war—did not lie in defeat and occupation. It lay in the shattering disruption of French unity. The passions and prejudices, the *frondes* of a century, blew the outer crust off French society, and beneath, the world seemed to see a society which was a society no longer, one in which no single loyalty was strong enough to bind men together against sectional passions and personal hates. General de Gaulle's great stand prevented the total submergence of the French cause, yet one of the most painful facts with which, in the last three years, the friends of France have had to come to terms, was the continuance of disunity even among men who possessed—and recognised—a common cause in fighting Hitler. Frenchmen of good will were divided inside the Fighting French movement. Frenchmen of good will remained outside it. Frenchmen of good will joined it only to leave it—or be dismissed. And all too often the atmosphere was one of unrestrained political partisanship and virulent personal animosity. Was it surprising that in this atmosphere some people began to doubt the possibility of a reborn France? It seemed to them that they were witnessing a profound and horrifying mystery, the physical dissolution of a nation which, in losing the unity and loyalty of its people, had in a very real sense lost its life.

Since November last the warmest friends of France have feared that the crystallisation of two separate French movements behind two Generals simply expressed the intractable disunity of France. They believed in the physical deliverance and restoration of France, but would this prove a resurrection or the exhumation of a corpse? This has been the fundamental preoccupation of all those who have followed, sometimes in hope, at times in despair, the long negotiations between the two Generals—the delays, the disputes, the manoeuvres, the deadlocks. Again and again, the chances of unity seemed to be, as a Fighting French newspaper put it, "*au point mort*." On the

side of General Giraud stood the obstacles of a conservative and traditional outlook, which underrated Republican sentiment, of loyalty to men who had compromised themselves through collaboration, of a Darlanesque legacy of other officials, indispensable technically, but politically anathema. On the side of General de Gaulle was the rather natural resentment of the labourer of the first hour, the "personalism" of the de Gaulle *mystique* and of many of de Gaulle's supporters, a consciousness of power based on the mass character of Fighting French support inside the resistance movement and to a lesser extent in North Africa itself. As the negotiations dragged on, there seemed no end to the points first of principle, then of procedure, and finally even of prestige, which slowed down the discussion and threatened to frustrate its goal. The hesitations on both sides showed, with Freudian accuracy, how great was the continuing conscious—and unconscious—will to separation. Even after the Generals had met at Algiers—it took nearly three weeks to agree on the place—the first deadlock in the negotiations was followed by the affair of M. Peyrouton's resignation, which threw an equally disagreeable light on the attitude of General de Gaulle and the activities of the ex-Governor.

Yet unity has been achieved. The Committee of National Liberation represents a genuine fusion, not only of the two movements, but of many points of view and of a very wide range of talents and capabilities. The names and their significance are discussed in a Note on page 753. Here it is only necessary to point out that the two Generals are joint presidents, and that their chief civilian supporters, MM. Massigli and Philip on de Gaulle's side, M. Monnet on Giraud's, are to work on the Committee in company with a number of men, drawn indiscriminately from Carlton Gardens, Washington and Algiers, who are primarily technicians. The new authority is pledged to republican and democratic methods. It has broken with Vichy and its legislation in every shape and form. It is an impersonal body representing not this or that leader, but France. Yet it is not a *de jure* government, not even a provisional government, since full authority must wait on national liberation. It is, however, the *de facto* authority governing all Frenchmen and French possessions. Thus, in spite of the difficulties and divisions which persisted up to the last moment, the new Committee represents very much the type of authority for which the French and their allies, though often without much confidence, were hoping.

The deepest meaning behind this consummation is that, after all, the moral unity of France is still intact. There is still something vital and compelling, bigger than



EQUITY & LAW
LIFE ASSURANCE SOCIETY

Established 1844

PROTECTION IN WARTIME

● Civilian War Risk Cover without additional charge is normally granted under new Whole-Life and Endowment Assurances—whether With-Profit or Without-Profit.

● A Guaranteed Bonus each year until 1946 inclusive is provided under all new With-Profit Policies—thereafter Bonuses are dependent upon Profits.

Head Office: 163/4, STRAND, LONDON, W.C.2
(temporarily transferred from 20, Lincoln's Inn Fields)

Telephone: TEMple Bar 0381

this or that Frenchman or this and that group, which has, often slowly and with difficulty, but surely all the same, driven the malcontents to silence their calumnies, the leaders to sink their differences, the divergent factions to close their ranks. That thing is the idea of France *une et indivisible*. All through these months, in a word here, a speech there, this or that article in a French newspaper, this or that message from the underground movements, the force has been growing and taking shape. That indefatigable negotiator, General Catroux, could have done nothing without it. Mr Roosevelt in the White House, Mr Churchill and Mr Eden on the spot could have done nothing without it. Willy nilly, the Generals could do nothing about it. In 1940, the desire for unity was stunned. The voices calling for resistance in the name of unity met with no response, in 1943, the desire, the passionate, anonymous, irresistible desire for unity has hushed the voices of disunity and faction. This is the greatest single fact about the reunion in Algiers.

The liberation of France by force of arms is certain. France's new armies, fighting beside the Allies of France, would have achieved it, even had there been no unity. (In parenthesis, it was surely both unpractical and ungenerous of General de Gaulle to declare at the Fighting French rally on June 5th that France does not wish to be liberated by anyone except Frenchmen, not even by its friends.) The existence of the Committee of National Liberation can be a guarantee that the physical liberation of France will not be a prelude to civil war, followed all too possibly by another period of enslavement. It is absolutely essential that the unity which has been achieved should be preserved, and it must be remembered that it is only a minimum unity, achieved with very great difficulty. The irresistible desire for unity, canalised now by the years of German oppression, may lose its force and its directness once the period of servitude is at an end. Then will come the testing time for the soul of France.

Unity itself does not guarantee the re-creation of France, although it is its indispensable condition. There are a thousand questions of political, social and economic reconstruction which will have to be decided before it can be said that France has recovered its full stature. But much that is to happen will be decided now. On the work of the National Committee depends the

French people's hope of a peaceful, stable decade in which to heal their wounds and begin the reconstruction of their shattered economy. Neither side can claim a monopoly of political wisdom, economic progress and social justice. If they can act in concert, achieve loyalty and frankness in their relationships and, though without committing the French people in advance, reach agreement on some of the broad principles of reconstruction, then their work will survive the actual task of re-invasion and will be in truth a work of national liberation—the liberation of the hopes and energies and capacities of France.

Since this task of reconciliation is the new Committee's gravest responsibility, it was disturbing to see a resurgence of the spirit of division within a day of the formation of the new authority. On June 5th General de Gaulle presided at a rally of the Fighting French movement in Algiers. It was there decided that the "Combat" group, the Communists and the Committee of Socialist Action, should continue to act as the political instrument of Fighting France and to work for national renovation and the "Fourth Republic." This move can only mean that General de Gaulle has accepted the rôle of leader in a party which is not based fundamentally on resistance—otherwise why should it have a separate existence apart from the resistance movement in general? It is based on the fact of de Gaulle's leadership and is thus primarily a personalist party, of allegiance rather than principle. It perpetuates the polarisation of French opinion round persons which General de Gaulle so justly condemned in Pétain. It is radically alien to sound French practice and, with its Fourth Republic, ominously reminiscent of Second Empires and Third Reichs. It is, of course, possible to over-estimate the significance of this move. Even so, the timing was unfortunate. Work for the Committee of National Liberation, unity, loyalty—these are the essentials of the French situation. As Mr Churchill said in the Commons:

The gravest responsibility lies upon these men, and opportunities shine brightly before them. They have only to act together in good faith and loyalty to one another, and to set aside sectional or personal interests, and to keep all their hatreds for the enemy—they have only to do this to help to regain for France her inheritance, and in doing so become themselves the inheritors of the gratitude of the future generations of Frenchmen.

The Empty Cradle

THE debate initiated by Lord De La Warr in the House of Lords this week on the prospect of a decline in population undoubtedly served a useful purpose. It served to demonstrate the very general agreement of views on the subject, and how completely those views diverge from the neo-Malthusianism that was fashionable only a decade or two ago. It served also to elicit the promise of another statistical White Paper. This is better than nothing at all; but it is very little, for the facts—statistical niceties apart—are already familiar. It is the formation of a community attitude that is now necessary, the task is, as Lord Samuel said, "through the Government in general and in the press and all the agencies that influence public opinion, to impress upon the nation that this is a most grave matter, and that the whole health and safety of the country is ultimately involved."

There is, however, one statistical point that is worth making. The argument that a rapid fall in the population of the country was impending first caught the public ear about eight years ago, and many of the calculations then used were based upon the experience of the year 1933. It happens that 1933 was a year of unusually low births and there has been some recovery since then. This fact has led a number of people to imagine that the fears of 1933 can be removed and that the problem is on the way to solving itself. It is worth while, therefore, to establish that the position, though not quite as bad as the 1933

figures would suggest, is still bad enough to justify a great deal of alarm. The following table shows the numbers of marriages and of live births in England and Wales for different periods during the past half-century:—

	Marriages	Births
1890-02*	225,563	894,017
1900-02*	259,543	932,459
1910-12*	275,499	883,612
1920-22*	333,453	862,240
1930-32*	311,380	631,621
1933	318,191	580,413
1936	354,644	605,292
1938	361,768	621,204
1939	439,694	619,352
1940	470,549	607,029
1941	387,510	587,228
1942	368,252	655,075

* Average of three years.

The year 1933 was at the bottom of a slump, and as trade revived and incomes rose there was, quite naturally, an increase both in marriages and in births. But while by the end of the 1930's marriages were more numerous than ever before, the number of births did not even recover to the average of 1930-32, still less to that of earlier periods. The "net reproduction rate" for England and Wales in 1933 was calculated (on the imperfect data which were all that then existed) to be 0.738—i.e., each generation could be expected to be just less than three-quarters as numerous as the one before—and it was this figure that caused the original alarm. By 1938, on the

basis of the facts elicited by the Population (Statistics) Act, the net reproduction rate was discovered to be 0.805. The rate of decline per generation was thus not a quarter but a fifth—but it was still a rate of decline rapid enough to justify alarm.

Since the outbreak of the war, there has been some increase in the number of births, especially in 1942. But the explanation is not far to seek. There has been a very considerable increase in marriages. But there has been no such proportionate increase in the number of women of marriageable age; what has been happening is an ante-dating of marriages—what the demographers call "depleting the accumulated stock of spinsters." Similarly, the increase in births means that a certain number of babies have been born earlier than they would otherwise have been. Mr Bevin, with the exemption from industrial conscription that he confers on mothers, has encouraged earlier births, while Lord Woolton, with his insistence on seeing a birth certificate before issuing a ration book, has stimulated prompter registration. But the future of the population depends not on how soon women have their first babies, but on how many they have in all, and it would be rash to conclude from the evidence of a few war years that the size of the average family has begun to increase, or even that the secular decline has been stopped. The position at the outbreak of war was that the average family fell short by about 20 per cent of what is needed to prevent a decline in population—a decline which, once it starts, would be continuous. The increase in births that has occurred since 1938 is not nearly enough to close this gap. Moreover, there is no reason to reject the common-sense assumption that the rise has been due to the abnormal conditions of war, and that, after the war, it will be compensated, after a further temporary increase when families are reunited, by an equivalent fall.

The problem therefore remains. The first beginnings of an economic approach to it can be found in the great recent growth in popularity of the principle of family allowances. The economic burden of parenthood is by no means the whole of the reason for the decline in the birth-rate; but it is a large part. For the first time in human history, children now lower the standard of living and reduce the social security both of their parents and of themselves. Parents who, knowing this, prefer to give a good start in life to a few children, rather than a poor start to many, are not selfish, but merely prudent. There cannot be much doubt that this revolution in the economic significance of children has played a large part in creating the *desire* to limit families, which, together with the *ability* to do so provided by knowledge of contraceptive methods, has produced the great fall in the size of the average family over the past hundred years.

Some economic relief to the large family must, therefore, find a place in any policy designed to fill the cradles. But it is not the only approach; it is only the first of three separate and distinct lines of action. In addition to a redistribution of income in favour of the *kinderreich*, the "children-rich," there needs to be a parallel readjustment of all the manifold pressures that human institutions, of a social and conventional as well as economic kind, exert upon the individual. And neither of these two lines of attack will be successful unless there is at the same time a revival of faith and confidence in the present merits and future prospects of modern society.

What is more, each of these three lines will have to be pursued with far more vigour than is yet realised. Family allowances of five, eight or ten shillings a week would prevent the presence of children from resulting in actual destitution. But if married couples limit their families to avoid being dragged down to the poverty line, it is not likely to be an effective argument to tell them that they will not be allowed to fall below it. The amount of money a father and mother need to induce them to give birth to a child—if this is what the decision turns upon—is the amount of money that, given their station in life, they would actually spend on the child. Family allowances are not likely to affect the birth-rate substantially until they

cease to be small flat sums and become fairly large percentages of the parents' income.

Equally large measures will be needed in the institutional field. For example, if the country is to take the population question seriously, a pretty complete recasting of the English educational system will be required. So long as expenditure on education remains a necessary for maintaining, and a method of increasing, social status, so long will there be a premium on small families. The design of houses, the whole relationship between building costs and rents, the encouragement of home ownership—these are other matters that will require drastic re-examination if a determined effort is made to stop the decline—it would be more realistic to say *when* the determined effort is made, for the community will certainly not be indifferent to its own extinction. Women are not going to be denied the fruits of their emancipation—so if jobs and careers are not to drive out motherhood they will have to be so adjusted as to find a place for it. The State will have to solve the servant—or domestic assistance—problem. The vista of the institutional changes that will be necessary is endless.

Nor is the third avenue of approach any less wide. Not only for this purpose—but for this purpose most essentially—the task is nothing less than the repair of shattered confidence in the reason and object of society. There is no warrant for agreeing with the collectivist enthusiasts that only a Communist state can create the necessary faith in the direction of society; there have been many periods in the past when boundless confidence in the future reposed on the fiercest individualism. Nor is a return to formal religion the only path to trust in Providence. But whatever the precise route, the goal is the re-creation of an Elizabethan spirit that dares to explore new worlds with trusting faith and a high heart. Not until parents once again feel that the life they confer on their children is a boon and not a burden, a licence to adventure and not a sentence to adversity, will the race deserve, or be able, to survive.

Those Raw Materials

A survey of the technical aspect of the problem of raw materials

BY

C. A. WARD, A.M.I.E.E.

"Engineering"

comments on the book as follows

"It is definitely 'general' in character . . . As a background for a more detailed study of the economic and industrial questions involved, which is all that the author claims for it, the book is excellent."

From all booksellers 15s. net (16s. post free)

GEORGE ALLEN & UNWIN LTD
40 MUSEUM STREET, LONDON, W.C.1

The Wolf and the Fold

WHEN Sennacherib, King of Assyria, was organising his blitz against Jerusalem he decided to start operations with a war of nerves*. His opponent, and intended victim, was Hezekiah, King of Judah—an upright, respectable person, of virtuous if somewhat narrow ideals, and with a congenital inclination towards a policy of appeasement. Hezekiah, not unnaturally, had never heard of Danegeld and its consequences, and his first reaction to the nerve blitz was to present Sennacherib with “all the silver that was found in the house of the Lord and in the treasure of the King’s house.” He cut off the gold from the doors of the temple and from the overlaid pillars and gave it to the King of Assyria, hoping, and believing, that a gift sent under the impulse of fear would be taken as proof of good will and secure for his fellow countrymen peace throughout their generation.

He discovered within a few months how badly he had misread the character of his antagonist, who hurried on his preparations for the assault and massed infantry and chariots at strategic points for the final attack on the city. But the blow did not fall at once, for Sennacherib had his own theories about the best use to make of armies, and believed that a ruler who was sufficiently strong could achieve bloodless victories as satisfactory as those of the old-fashioned kind, and much more economically. Already he had overrun the neighbouring country of Samaria with the loss of a handful of men, and now he proposed, by the judicious mingling of propaganda, threats and cajolery, to march into Jerusalem without sacrificing a chariot or a javelin-thrower. He had in his service a gentleman of the name of Rab-shakeh, who controlled his Ministry of Propaganda; and, as soon as the invading army was comfortably placed to deliver (if need be) the knock-out blow, Rab-shakeh was sent forward to the walls of Jerusalem “to the conduit of the upper pool which is in the high-way of the fuller’s field,” and in a loud voice delivered his master’s message to the emissaries of Hezekiah, who were standing on the wall of the city.

He began by calling the attention of the inhabitants to the fate which had overwhelmed their neighbours, and to the isolationism of their hoped-for allies. “What confidence is this,” he said, “wherein thou trustest? On whom dost thou trust? Thou trustest upon the staff of this bruised reed, even upon Egypt, on which if a man lean it will go into his hand and pierce it.” What had happened, he asked, to Samaria, which had had the temerity to oppose him? And what was the good of this ideology of Hezekiah’s by which he appeared to put such store:

If ye say . . . We trust in the Lord our God . . . hath any of the gods of the nations delivered at all his land out of the hand of the King of Assyria? Where are the gods of Hamath, and of Arpad? Where are the gods of Sepharvaim, Hena and Ivah? Have they delivered Samaria out of mine hand? Who are they among all the gods of the countries, that have delivered their country out of mine hand, that the Lord should deliver Jerusalem out of mine hand?

It was a formidable recital, and the trail of destruction which had overtaken one by one these rival ideologies might well make it appear that in war at least the Assyrian scheme of life and belief and administration gave the country an irresistible advantage over all other schools of thought. And, as the screaming voice of Rab-shakeh developed his menacing argument, there was undoubtedly great danger that the nerves of his audience would give way; for the envoys of Hezekiah, looking nervously over their shoulders at the townsfolk who stood behind them at the wall, did their best to protect the common people from the flood of propaganda that the Assyrian was pouring out at them. They could not commandeer any wireless sets, but in an agitated voice they made a request

to Rab-shakeh that he should behave himself in a more considerate manner and keep the populace out of the discussion.

Speak, I pray thee, said Hezekiah’s representative, to thy servants in the Syrian language, for we understand it: and talk not with us in the Jews’ language in the ears of the people that are on the wall.

But the reply of the Assyrian Minister of Propaganda to this very reasonable suggestion was unmistakable. It was too indelicately worded, not to say obscene, for the columns of *The Economist*; but it is reported verbatim in the Second Book of Kings, and its purport in less physical though less striking language was “I shall say what I damn well like.”

Having secured the ear of the populace and frightened them half out of their wits, the Assyrian Minister proceeded to a description of the New Order which Sennacherib had planned, and the enviable life of security and plenty that the people of Jerusalem might lead if only they would be good and come quietly and behave like sensible folk:

Thus saith the King of Assyria, cried Rab-shakeh, Make an agreement with me by a present, and then eat ye every man of his own vine and every one of his fig tree. Until I come and take you away to a land like your own land, a land of corn and wine, a land of bread and vineyards, a land of oil olive and of honey, that ye may live, and not die: and hearken not unto Hezekiah, when he persuadeth you.

At this point in the discussion it would have looked to any neutral observer as though everything was finished. All the cards were in Sennacherib’s hands—numbers, weapons, military skill, and an overpowering weight of propaganda. Surely the thing was in the bag.

But now a remarkable thing happened. There emerged from the semi-privacy in which he had been living in Jerusalem a man of the name of Isaiah, a man of great determination, unbending courage, bold judgment, and endowed with a gift of speech and a power of oratory that were to communicate his own high qualities to the humdrum government of Jerusalem and all the inhabitants of the city. He told them that they must win and they would win; that they were not to fear the words of the servants of the King of Assyria; that the Lord would cause him to fall by the sword in his own land; that he should not come into the city nor shoot an arrow there nor cast a bank against it; but by the way he came by the same should he return. “I will put my hook in thy nose and my bridle in thy lips and I will turn thee back by the way by which thou camest.” So did he encourage his fellow countrymen to go forward with sober confidence.

That appearance and the speech of Isaiah’s were the turning point in the campaign. The Assyrian challenge had been met and Rab-shakeh returned to Assyrian GHQ for further instructions. He found there that his leader’s intuitions had changed; that Sennacherib had selected a new point of attack and started a war against Libnah, his plans for an assault on Jerusalem being for the time suspended. The stream of propaganda still flowed, but the worst of Jerusalem’s danger was behind her, and in due course either in the neighbourhood of the city or in the treacherous climate of Libnah Sennacherib’s legions were stricken by plague, so that he lost nearly two hundred thousand men and “when they arose early in the morning, behold they were all dead corpses.”

So ended the great blitz and the result was rightly attributed—under Providence—to the courage, the enthusiasm of a few, and to the eloquence of one man who had known how to lead. It would be nice to find out what happened to Rab-shakeh and the Ministry of Propaganda which he had conducted with such ability. We may surmise perhaps that from his office in Nineveh

he passed the word down the Euphrates that it was Hezekiah who had devised the blitz method of warfare; that it was at best a dirty business; and that this low trick of massing large numbers of chariots and bowmen

and javelin throwers to intimidate civilian populations was not the kind of good, clean war which a nation of high culture like the Assyrians could either approve or respect.

Hot Springs: A Summary

THE United Nations Conference on Food and Agriculture at Hot Springs ended last week in an atmosphere of mutual goodwill. Its objective was “to ensure an abundant supply of the right kinds of food for all mankind”; and, as President Roosevelt told the delegates, it “demonstrated beyond question that free peoples all over the world can agree upon a common course of action and upon common machinery for action.”

The Conference was organised in four sections, each being divided into a number of committees, responsible for examining particular aspects of the general problem.

Nutrition Standards

The first section on *Consumption Levels and Requirements* dealt with the causes and character of malnutrition in each country and sought to formulate national and international goals for increased consumption. (a) Its report stresses the relationship between malnutrition and poverty—a relationship strikingly illustrated by the fact that the death rate from tuberculosis among poorly-fed peoples is from 150-250 per 100,000, compared with 30-40 among better-fed peoples. (b) The picture is one of “world-wide underconsumption, malnutrition and its attendant evils”; three-quarters of the 1,150 million inhabitants of Asia are living below decent health standards; malnutrition exists among the lower income groups of the United States and Europe; and there are widespread deficiencies in tropical Africa, the West Indies and other colonial territories. (c) The war has aggravated an already serious position. (d) The Conference was not able to formulate a uniform set of dietary standards for general application, but it lays down certain broad principles. Such standards as those evolved by the League of Nations Technical Commission on Nutrition are universally applicable—there are no essential differences in the nutrient requirements of Eastern and Western peoples—and advances in nutritional science permit the establishment of minimum dietary requirements in terms of calory, protein, mineral and vitamin content. (e) The maintenance of health in wartime Britain shows what can be achieved through a scientific nutrition policy and the planned distribution of basic foodstuffs. (f) The Conference recommends that governments should provide systematic education in food values, develop community services, school meals, factory canteens, and make special provision for pregnant women, nursing mothers, infants and adolescents.

Agricultural Production

The second section examined the *Expansion of Production and Adaptation to Consumption Needs*. It distinguishes between the short and long-term objectives. (a) As a first step there should be an immediate increase, wherever possible, in the acreage of crops for direct human consumption, even at the expense of postponing the replenishment of livestock herds. (b) For as long as shortages continue, the governments, individually or collectively, should aim at coordinating national production policies and the means of transport and distribution, and should take measures to prevent speculation and price fluctuations. (c) Those countries which, because they have been free from the impact of war, have been producing more than their normal output should maintain and, if possible, expand production, and should develop the manufacture of farm machinery and fertilisers.

(d) The period of transition will involve considerable adjustments in policies. Countries which have excess capacity and those which have deficient capacity will both have progressively to adjust their allocation of resources, in order to conform to the long-term plan. (e) The long-term programme of each nation should be to increase the efficiency of production through better farming methods, measures for soil conservation, the encouragement of research, the exploitation of undeveloped areas through land clearance, drainage and irrigation projects; and to introduce changes designed to foster the production at home of protective and relatively perishable foodstuffs (vegetables, milk, eggs and fruit). (f) Nations should not attempt artificially to produce nutritionally desirable foods which can easily be obtained

elsewhere. (g) The Conference recommends greater facilities for obtaining technical assistance and the extension of credit, at low rates of interest, to help the small farmer. (h) It invites the nations to prepare periodic statistical reports, which would be submitted to a permanent International Food Organisation; to study the possibilities of extending producer and consumer cooperatives; and to undertake surveys of their systems of land tenure and their land and water resources, with a view to determining where production can be increased and rendered more efficient, what areas could be developed and what services in the way of engineering, drainage, etc., would be needed. (i) In order to facilitate occupational adjustments, the Conference recommends that countries with large populations in relation to their agriculture should develop suitable industries for processing and preserving their own produce, and should be assisted to export processed articles rather than raw materials, and to import machinery and tools. Where feasible, intra-national and international migration should be encouraged, and assisted by the provision of occupational training schemes, special labour bureaux and economic and social facilities for settlements. (j) The International Organisation would play an important part in facilitating migration, as well as in coordinating the work of improving agricultural efficiency and promoting research in the various countries.

Improvement of Distribution

The recommendations of section 3, on *The Facilitation and Improvement of Distribution*, are less definite in character, since they depend on international agreement in the wider field of reconstruction. (a) The Conference recognises that the key to the long-term problem lies in full employment, with generally increased purchasing power and improved standards of living. (b) It emphasises the need for maintaining a balance between agriculture and industry, and denounces international trade barriers and restrictions. (c) Expanded production without improved distribution is valueless, and in the immediate post-war period it will be necessary to ensure the most economic distribution of available supplies, and to avoid price fluctuations and unrestrained competition. (d) Though provision of food for national needs is primarily the responsibility of each nation, under-nutrition after the war will necessitate international action on a large scale. (e) International commodity arrangements will be necessary, and these should allow effective representation of consumers, the maintenance of adequate reserves and the orderly disposal of surpluses. (In this connection, the British delegation favoured the creation of an international buffer stock, which would guarantee ample supplies for consumers and markets for producers, but the details of how such a buffer stock would be operated appear to have been left for later consideration.)

(f) The Conference advocates international standardisation in methods of processing, preserving, storing, packing and transport, with international minimum standards for drugs and fertilisers and measures for protecting the consumer from unfair trade practices. (g) It recommends that full use should be made of such wartime developments as dehydration, and in general that there should be greater cooperation in securing marketing economies.

International Machinery

The work of the final section concerns the *Permanent International Machinery* through which the Conference recommendations may be carried out. (a) Until such time as a Permanent Food Organisation can be established, an Interim Commission is to function in Washington, meeting not later than July 15th. (b) This Commission will be charged with the promotion and coordination of research, and with the collection and dissemination of information. It will submit to the individual Governments recommendations for action along the lines agreed by the Conference. (c) It will examine such questions as the development of agricultural resources, commodity arrangements, consumer cooperatives, land tenure and other subjects considered at the Conference. It will thus perform in the field of food and agriculture many of the same functions as the ILO fulfils in the sphere of labour.

* See the *Second Book of Kings*, chapters xviii and xix, in which the incident is told.

NOTES OF THE WEEK

Design for Victory

The investment of Pantellaria and Lampedusa, in itself, gives no clue to the Allies' next intentions. In one aspect, these islands are impediments to be removed from the Mediterranean passage; in another, they are stepping-stones to Europe. In which light they are now to be regarded is not yet revealed. It is symptomatic of the transformation that has taken place in the balance of power that Mr Churchill's speeches are now scanned and sifted, by friend and foe alike, with even more avidity for information about the future course of events than were Hitler's speeches between 1938 and 1941. There is little doubt that the eloquent discretion of the Prime Minister's report to Parliament on Tuesday left the scanners and sifters, very properly, dissatisfied. Two points in particular were in the minds of a number of listeners and readers at home. Some people have lately seen signs, so they thought, of a change in the strategical intentions of the Allies. Is the attempt being made, they ask, to win the war in Europe primarily by bombing? Have the directors of Allied strategy, they wonder anxiously, watered down the policy of "Hitler first," under pressure for action now in the Far East? Statements by Mr Churchill in the United States has given rise to both these speculations. In his speech to Congress, he said that the experiment of winning the war by bombing was "well worth trying"; and he told a press conference that the wars against Germany and Japan would be pursued "concurrently," and not "consecutively." On Tuesday, Mr Churchill neither confirmed nor removed these doubts. Air bombardment, he stated, would be "the first cause" of the enemy's ruin, and he gave it as the aim of Allied effort to achieve "the complete destruction of our foes by bombing from the air, in addition to other means." He told how the heightening of the bombing offensive, decided upon by him last summer as Minister of Defence, had involved "sacrifices everywhere"; and he spoke of the fruitful use of long-range air power against enemy submarines. Of the war in the East, he said very little. The giving of "more speedy and effective aid" to China, and of "a stronger measure of security" to Australia and New Zealand, he declared, is "constantly in mind." To the layman, one thing seems certain: a decision to rely chiefly on bombing in Europe, and to concentrate forces in the Pacific before Hitler is beaten, would be contrary both to the high opportunity of victory that now confronts Allied arms and to Mr Churchill's own principles of attack by every means against the most dangerous enemy. To have the initiative, Mr Churchill said, is "a heavy and exacting responsibility," as well as an immense advantage. The time that has been gained by victories in Russia and Africa will equally be lost whether it is not used or is dissipated in failure. The Prime Minister specifically said that "amphibious operations of peculiar complexity and hazard on a large scale are approaching"; and on balance there seems no reason to suppose that the combined assault upon Europe by all arms for which the whole world is now waiting will be delayed too long. The coming struggle in Russia—"the greatest battles impending"—has yet to start, and a main purpose of the Allies in Europe this year must be to synchronise the blows they give and receive with the fortunes of the Russians, who are "bearing the heaviest burden, and paying the highest price in blood and life." It still seems likely, therefore, that when the curtain goes up, the drama will unfold on land and at sea, as well as in the air, and "that wicked man" will be the central figure. That is the Churchillian manner—and the right design for victory.

Bombs v. Torpedoes

In the course of his speech in the House of Commons, Mr Churchill pictured the war, in one aspect, as a contest between British bombers and German submarines. The first priority in this country must be the U-boat war, because upon shipping all else depends—and because the Germans are basing their few remaining hopes upon the sinking of Allied ships. At the moment, the vast under-water offensive is being more than held. May was the best month both for Allied losses and U-boat casualties since December, 1941. The method of attack in packs means that the U-boats can be, and are being, brought to battle. "We may have set-

backs"—but it seems unlikely that, at the worst, the U-boats can do more than impede and slow down the Allied advance. Meanwhile, in the air, the enemy is being worn down remorselessly. The process of wearing down is necessarily slower than very many people suppose; and the need for aircraft to perform, on a larger scale in a bigger battle, the strategical and technical tasks that were carried out so effectively in Tunisia means that the margin of resources available for long-range air bombardment is not large enough to permit the continuous blasting that would probably be required if the great experiment of victory by bombing alone were to be made. It means, too, that the same organisation of co-operation and combined command that was evolved *ad hoc* in North Africa will be needed in the wider sphere of combat. At present Allied air power is plainly all-purpose. The bombing of Italian islands, bases and towns is as directly an aid to naval and military operations as it is an offensive against output and morale; and the moment Allied troops land on the outworks of German Europe, with the way cleared and the landing covered by air mastery, the same will be true of the bombing of Germany and its western fiefs.

A Palace Revolution

The situation in Buenos Aires, after the military *coup d'état* which began last Friday, is still far from stable. Nor has the provisional Government, headed by General Pedro Ramirez, a former Minister of War in the Castillo Government, issued a statement of policy. The Government was, however, formally sworn in on June 7th, and its legality has been recognised by the Supreme Court. The personnel of the Cabinet is wholly military and Conservative; and the vice-president, as in the short-lived Cabinet formed by General Arturo Rawson, the leader of the *coup d'état* of June 4th, is Rear-Admiral Saba Sueyro. Ex-President Castillo is said to be at liberty in Buenos Aires; after a brief attempt to rally the country behind him from a mine-sweeper in the River Plate, he acquiesced in the *fait accompli*. His former Cabinet, some members of which retreated to the Argentine embassy at Montevideo, have been permitted to remain at large. It seems likely that the withdrawal of General Rawson from the political limelight, after one crowded day of office, in which he dissolved Congress and suppressed the Communist newspaper *La Hora*, was due to personal difficulties rather than to any divergence of policy between him and his successor. The dropping of the only two civilians in the Rawson Cabinet, both of whom are accused of pro-Nazi sympathies, scarcely illuminates the ideological confusion which surrounds the leaders of this revolution. It is plain from the tone of Axis propaganda that Berlin knows as little as London or Washington of what the new Argentine Government really stands for. The immediate cause of the revolt is believed to have been the knowledge that President Castillo had virtually secured the election of his nominee, Patron Costas, as his successor at the forthcoming presidential elections, and that an important section of Argentine opinion resented the prospect of automatic, and indefinitely continued, government by the Castillo clique.

Government by Military Junta

The background of this truly Latin American change of Government is complicated. President Castillo's rule—his maintenance of a state of emergency, his avoidance of free elections and his rigid censorship—was authoritarian without being strong. It was widely criticised and generally unpopular; but there is no ground at all for supposing that he has been displaced by democrats. His democratic and Radical critics who might possibly command a majority at a free election apparently remain in the wilderness. The Argentine press on June 5th, it is true, contained a number of articles pressing for a return to the exercise of democratic rights and condemning the prevalent corruption. The Uruguayan press, however, has continued to point out that in the absence of evidence to the contrary, a military government appears to have replaced a civilian dictatorship.

The military, no doubt, had purposes to serve in domestic politics, but it seems likely that the immediate occasion for the revolt lay in the international situation. Not that the *coup* is necessarily to be interpreted—as was done in the first flush both in Washington and London—as a pro-Allied move heralding a diplomatic rupture with the Axis. This may still be the case, but so far General Ramirez has committed himself only to a policy of continuity in foreign relations, coupled with a reiteration of Argentine neutrality and independence. But what chiefly alarmed the Argentine soldiers and sailors was the fact that Brazil, Chile and Uruguay are all having their military and naval establishments expanded by Lend-Lease facilities, while Argentina, which likes to think of herself as the leader of South America, is losing ground. The United Nations—and particularly the United States—will, of course, require some more substantial proofs of sincerity than a mere change of personnel. No doubt it remains as true as ever that Argentina contains a large number of genuine democrats who fervently support the cause of the United Nations. Since the death of General Justo, the most distinguished supporter of the Allied cause—he offered his personal services to belligerent Brazil—this section of opinion has lacked leadership. It does not appear to have found it in the new Government.

The French National Committee

The Committee of National Liberation was established on June 3rd by virtue of an Ordinance signed by General Giraud and General de Gaulle. The Committee will conduct France's united war effort; it will exercise authority in all unoccupied French territories; it will have diplomatic representation; it will continue to exercise its functions until the total—or even partial—liberation of France makes it possible to set up a provisional Government in France according to the laws of the Republic. The impersonality and collective responsibility of the new Committee are assured. Under the alternating Presidency of General Giraud and General de Gaulle, there are twelve members: M. André Philip—Minister of the Interior and of French Resistance; M. René Massigli—Foreign Minister; M. Jean Monnet—Minister for Armament and Supplies; General Catroux—Moslem Affairs; M. René Plevin—Colonies; M. Henri Bonnet—Information; M. Adrien Tixier—Labour; M. Maurice Couve de Murville—Finance; General Georges—Minister Without Portfolio; M. Diethelm—Production and Trade; Dr. Jules Abadie—Justice, Education and Health; M. René Mayer—Communications and Merchant Navy. This list is remarkable by the number of men in it who are not, strictly speaking, politicians. M. Monnet is a financial expert with League of Nations experience before the war; he was Chairman of the Anglo-French Co-ordinating Committee before the collapse of France and afterwards worked in Washington on the British Supply Council. M. de Murville was second in command at the French Treasury. M. René Mayer was the Director of French Railways. M. Adrien Tixier was Under-Secretary of the ILO. The technical qualifications of these men are more important than their previous attachment either to General Giraud or General de Gaulle. The same is probably true of M. Massigli, who was a career diplomatist until 1942. M. Bonnet's appointment is remarkable since, a "neutral" figure with a long League of Nations experience, he represents a compromise between the two Generals. He replaces M. Labarthe, General Giraud's Minister of Information; General de Gaulle's candidate was M. Soustiel. The appointment of M. Philip as Minister of the Interior and of Resistance raises the interesting question whether the new Committee will have full authority over the underground movement in France or whether some attempt will be made to keep it under the more personal direction of General de Gaulle. The field of civil administration is now fairly well settled, but there have been no decisions yet on the final form of French military organisation. The first decrees of the new Committee established a War Committee which was to be small and include the heads of the departments most directly concerned. It has not yet been set up, partly no doubt because none of the Service appointments has yet been made. There is no Commissioner either for the Army, the Navy or the Air Force. The military problem also includes the delicate question of General Giraud's position. For the time being he combines the Presidency of the National Committee with the post of Commander-in-Chief. This is not in accordance with French practice. Everything will depend now on the good will which the Committee members bring to their work and the degree

to which the Committee can avoid the legacy of the Third Republic—which still haunted Vichy—that of a changing and unstable, and therefore irresponsible, Cabinet.

Parliament

There was a touching scene, almost one of reconciliation, when Mr Aneurin Bevan associated himself with Mr Greenwood's tribute to the Prime Minister on behalf of the Labour Party. The particular passage in Mr Churchill's speech which evoked Mr Bevan's generous response deserves quotation in full:

Let me record the fact that this House, a democratic institution based upon universal suffrage, which has preserved its function and authority intact and undiminished during the war, and has shown it can change and sustain government with equal consistency of purpose, has proved itself the foundation and instrument for the waging of successful war and for the safety of the state never surpassed in modern or ancient times.

There have been times when the Prime Minister, pressed by crowded and anxious events, has been somewhat short and even harsh with his parliamentary critics. Some of those critics, and not least Mr Bevan, beset by the same anxieties as Mr Churchill, with none of his vast responsibility or store of information, have carried their duty of vigilant interrogation and personal scepticism somewhat beyond the limits of democratic helpfulness. On balance, however, neither the Prime Minister nor any of the relatively few Members of courage and energy among the Commons, upon whom his unparalleled wartime authority has rested, has forgotten that a central question in this struggle has been the ability of free men to oppose disciplined force to aggressive tyranny by free and representative means. First and last, Mr Churchill is a man of Parliament; his status as a world leader and his renown as the direct spokesman of British determination, has not abated his recognition that he is what he is because of the peculiar British system of representative and responsible government. It is this fact, perhaps more than any other, that has enabled the parliamentary method to prove, for a second time in a generation, that in a fight to the finish it can guide even

easy-going folk, wishing to lead a free life with active politics and other opportunities of innocent diversion and of national self-improvement

to a successful issue against a nation cradled in war and the discipline of military ways. The present House of Com-

LEGAL & GENERAL WHOLE LIFE AND ENDOWMENT POLICIES

both participating and non-participating

INCLUDE WAR RISKS WITHIN THE UNITED KINGDOM

so long as the life assured remains
a civilian.

Part-time duty in the Civil Defence Services
and the Home Guard as at present constituted
is included in the cover.

The Society is prepared also to consider War
Risks both at home and abroad in respect
of non-civilian lives, each proposal being
considered on its merits.

Life Assurance is more necessary to-day than
ever before—ask for full particulars now

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Chief Administration:
ALDWYCH HOUSE, ALDWYCH, LONDON,
W.C2

Branches in all principal Towns
Established 1836 Assets exceed £57,000,000
General Manager: Vernon E. Boys

mons is not a conspicuously able or representative body. Like the leaders whom Mr Churchill replaced in 1940, it was the product of a depression in British political life. Yet the tradition of parliamentary vigilance and responsible authority is so strong that this assembly has earned the high tribute which Mr Churchill has paid it—which is at the least a happy augury for the ability of this country to avoid the political pitfalls which will inevitably open up when the tension of total war is relaxed.

Enterprise

The speech made by the Financial Secretary to the Treasury, Mr Ralph Ascheton, to the Engineering Industries Association was probably intended to be, and has certainly been taken as, a reply to Mr Herbert Morrison's recent speeches on the post-war relations between state and industry. Mr Ascheton spoke, he said, as a Progressive Conservative. His purpose was not to deny that there is a very large sphere for advance by the method of guidance and direction by the state. Nor did he wish to assert that all was well with the present condition of private enterprise; he specifically advocated "strict control" of monopolies and price rings—a most welcome advance for a Conservative member of the Government. Mr Ascheton's chief purpose was to assert that private enterprise would have a vital role to play in the future of economic organisation. It would continue to exist, not merely as a temporary concession until the state could get around to abolishing it completely, but permanently and deliberately, within its proper sphere, because it had merits of its own that are essential to a free society. He came to the defence both of the profit motive and of the institution of private property. The former, with its "ruthless test of efficiency," and the latter, through the widespread guarantee of individual freedom it would provide if it were more widely diffused than at present, both form necessary elements of a balanced society. It was the proper role of the state to "supervise, advise and restrain" private industry—there could be no going back to *laissez faire*. But even as an ultimate ideal, the complete "absorption" of private enterprise by the state was to be rejected, and though controls of the wartime intensity could not be removed immediately the war is over, they should be retained only as temporary expedients.

All this is very true and needed saying. There is no real disagreement between Mr Morrison and Mr Ascheton. Mr Morrison has himself emphasised the case that can be made for private enterprise and Mr Ascheton would not deny the case for public enterprise. What they are both condemning—and very rightly—is unenterprise, Mr Morrison being more concerned with private unenterprise and Mr Ascheton with public unenterprise. In fact, the country is now very close indeed to realising that there is nothing more substantial than shades of emphasis between the views of responsible leaders in both parties on the proper relationship between the state and industry. The more is the pity that misguided partisans—the latest example is the *Daily Herald* in its comment on Mr Ascheton's speech—try to whip up differences where there are none, to impute motives that do not exist and to excite hostility where there should be unity in further progress. Democratic society will have enough difficulty in struggling with its real conflicts, without dead arguments being resurrected or unreal controversies created.

Labour and Beveridge

After the storm which the controversial questions of Communist affiliation and the electoral truce will undoubtedly arouse at the Labour party's conference next week, its discussions on the Beveridge Report may conceivably seem like sailing in calm seas. But there is one rock, even here, on which good temper may split and founder. This is the fact that Labour members of the Cabinet have not only supported, but also approved, the decisions of the Government on the Beveridge Report, while the majority both of Labour M.P.s and party members have done neither. The Executive Committee has tabled a resolution welcoming the social security plan as "an important advance towards a democratic social policy," while recognising room for amendments and improvements, and calling for immediate legislation. The interest of the Labour movement as a whole can be gauged from the fact that over 40 resolutions relating to the report have been submitted. No precise indication

of the official Labour attitude to the detailed proposals of the plan had been given until the Executive's report to the Conference set out the National Council of Labour's decisions on the individual recommendations, in comparison with the Government's declarations. The proposal for a Ministry of Social Security is accepted, subject to the establishment of representative advisory committees to avoid bureaucratic administration, and to the assimilation of the Ministry of Pensions in the new organisation. So is the proposal for the supersession of approved societies. The Executive suggests a higher rate of benefit for industrial disability—30s. against the Beveridge 24s.—and a reduction in the period of transition for old age pensioners from 20 to 10 years. The proposal for an Industrial Assurance Board, rejected by the Government, is accepted, and stress put on the need for a maximum charge for funerals. The proposal for making unemployment benefit conditional upon attendance at a training centre, which touches most closely the craft principles of the trade unions, is accepted, subject to a right of appeal against arbitrary decisions. On the face of it, this seems to be much the most significant decision the Executive has made; but the fact that it is accepted subject to further consideration in the light of the Tomlinson Report for the rehabilitation of the disabled suggests that this decision may be much narrower in its import than appears at first sight. The question is whether the trade unions will continue to insist on the reinstatement of unemployed workers in their old or similar occupations at their old rates of pay regardless of the changing structure of industry. Mobility of labour will be a vital requirement of prosperity and full employment after the war—and it is likely that the answer of the trade unions to this fundamental question has still not been given. The discussions of the Beveridge plan may have a bearing on the election to the Treasury. Mr Greenwood is closely identified with the original appointment of the Beveridge Committee, and with the Labour party's revolt in the House of Commons last February, while Mr Morrison had the task of explaining to the House why the Government could not accept certain recommendations. In the meantime, it is interesting to hear that Sir James Grigg has at last allowed a summary, though not Sir William Beveridge's own, to be distributed by ABCA. The soldiers of a democracy will now be able, with official approval, to read about what they are fighting for.

In Darkest Scotland

This week's debate in the House of Commons on housing and health in Scotland tended to concentrate on housing. It is not surprising that Members should have stressed the acute shortage of housing because it has a very direct influence on Scottish health. There are possibly individual English towns which have an equally bad record, if not worse, but if the statistics for the whole of the two countries are compared, it seems that the black spots of Scotland are a little bit darker than England's. The maternal mortality rate is about 2 per thousand higher. The infant mortality rate, though declining, is considerably higher; the record low figure of 68.5 per thousand live births in 1939, almost achieved again last year, compares with 50 for England and Wales in 1939, and the rate rose to 78 per thousand in 1940. Tuberculosis, an environmental disease, has increased both north and south of the Border since the war began, but whereas in England and Wales the percentage increase in deaths in 1941 compared with 1938-39 was 12.1, in Scotland it was 20. Moreover, although last year the number of TB deaths in England and Wales fell from over 28,000 to 25,500, in Scotland the number, according to one Member, is likely to have been stationary, and according to another Member will have shown a slight increase. In the light of these statistics, the stories painted by the Scottish Members of the housing conditions in Glasgow and Clydeside are given an added urgency. Nor is the problem entirely one of Scottish slums. Part of the overcrowding in the cities is due to the depopulation of the Highlands, which in its turn is partly due to the lack of amenities in Highland homes. Thus the remedy must be more far-reaching than a mere housing programme for Glasgow and Clydeside, which would only temporarily remove the worst symptoms. It is a case of recasting on a national scale the Scottish economy as a whole.

The VADs

The War Office's acceptance of the report of the Committee on Voluntary Aid Detachments (Cmd. 6448) ends a controversy that began over a year ago. In May, 1942, the

Army Council proposed that the VADs should be merged in the ATS, partly because it considered that the best use of man and woman power would thereby be made, and partly for the sake of individual VADs, for whom there is no prospect of advancement to officer status—in fact, the only promotion obtainable is from a Grade II nursing member to Grade I. A further reason for the merger was that an anomaly was created where VAD members were serving alongside the ATS. The VADs were not subject to military discipline, and, in the case of Grade I nursing members, but not dispensers, cooks and typists, had certain privileges such as first-class travel and board and washing allowance, and accommodation scale, as for the QAIMNS. The British Red Cross Society and the Order of St. John protested against these proposals on the grounds that there would be no saving of manpower because many of the VADs would prefer to resign and take up other war work rather than be transferred to the ATS, and also that the wearing of ATS uniform would be objectionable to nursing VADs, who held that a nurse's uniform commands special respect in hospital wards and off duty. The Committee was thereupon appointed to examine the problem. Its first recommendation is that the status and range of duties of VAD nursing members should be the same as that which would apply to the ATS nursing orderlies who are being recruited to replace RAMC nursing orderlies; this means that the privileges referred to will lapse. VADs, like members of the ATS, should be subject to military law, and, to avoid dual control, the office of commandant should be abolished and VAD welfare left to the officers commanding units, and to the QAIMNS officers. There would be no officer ranks in the VAD, but selected members should be eligible for direct commission in the ATS. Others should be eligible for promotion up to the rank of warrant officer to assist hospital matrons in supervising domestic matters affecting the VADs. If these recommendations are carried out, the Committee considers that there is no case for merging VADs with the ATS. The former should be allowed to keep their own identity and their own uniform—though there is a specific recommendation that the expensive uniforms so often favoured by certain VADs should be avoided.

Whistling in the Dark

The demonstration held at the Berlin *Sportpalast* on Saturday last, June 5th, throws some light on the state of German opinion. The chief speakers were Professor Speer, who a year ago was put in charge of the rationalisation of the German armament industry, and Dr. Goebbels, who has recently emerged into new prominence as official public substitute during Hitler's prolonged disappearing act, and as chief propagandist in the "total mobilisation" drive of recent months. In the course of Speer's long speech some figures were given about German armament production in 1943. In May, 1943, the total output of munitions was six times greater than the monthly output in 1941. The manufacture of guns was up by 400 per cent. Significantly the production of light and medium tanks was only 20 per cent of 1941. The output of heavy tanks and assault guns had increased between February and May, 1943, by 250 per cent. These figures are impressive, and, although there is no possibility of checking them, some of them may even be true. But Speer shrewdly chose the average monthly output of 1941 as a basis of comparison; in other words, the period during which Hitler ordered the stoppage of the production of certain kinds of munitions and weapons on the grounds that the stocks were enormous and the war nearly won. The year 1941 was a peak year in Germany's overall production, but during 1942 the actual production of munitions and weapons was greater, because heavier restrictions were put on civilian output. The figures given by Speer would have looked very different had he chosen 1942 as a basis. His speech may have served its chief purpose—to encourage the German people with a picture of their own strength. But it betrays their uneasiness over the comparison between the German and the Allied war effort. They suspect that the Allies, especially the Americans, are outproducing them. Hence the idea of "total mobilisation," primarily a political manoeuvre designed to make the Germans believe that in their overstressed war economy there was still a big slack to take in; hence Speer's figures to convince them that the slack has been taken in to good effect. The most interesting point of the Rally was, however, the background against which Speer's production pep talk was set. There was no question of "on to victory." On the contrary, the tone throughout was grim and glum, the theme that of no

surrender, and holding out against all odds. This probably explains Dr. Goebbels' dismal failure in his attempt to repeat his revivalist performance of last February. His tirades against the Jews and the bombing attacks fell flat. He had little else to say. The Doctor is finding that a military dictatorship, fed on glory, cannot pull a recipe for morale out of its tin helmet when the day comes for defensive warfare.

Re-educating Germany

Both in America and Britain, there is a persistent myth that the re-education of the German people is a mechanical job which can be perfectly well managed provided a sufficient number of serious-minded democrats—Allies as well as German emigrants—are trained for the job. Mr Wallace and Mr R. A. Butler have done well in recent weeks to remind the world that the re-education of Germany will be done by Germans. Both stressed two stages in the process of re-education. The first is total military defeat. The realisation that blood and glory ends in defeat and disgrace is in itself a very powerful lesson, and judging by the recent purges in the German universities—purges which have included professors as distinguished as Kurt Huber, of Munich—it is possible that the lesson of defeat is already being learned. The next stage is to encourage those people in Germany who believe, in Mr Wallace's words, in a "peaceful, worthwhile purpose in life." He believes that they exist. The Allies' delicate task is to temper stern justice for war criminals with generosity and understanding for the young men and women on whose collaboration the future of Europe must to a great extent depend. In other words, it is as bad to snub the democrats as to appease the militarists. There is, however, a third step in the process of re-education which Mr. Wallace perhaps had in mind when he turned from discussing the re-education of Germany to talk of the political immaturity of the American people in 1918:

As a nation we decided we were not ready to take on adult responsibilities. We were not ready even to graduate from high school, and some of us wanted to go back to the eighth grade.

It is no use expecting the German people to rediscover the way of peace, democracy and responsible international action if the peace-loving Powers merely pursue retribution, as they did last time.

**OVER 1,000 FIRES
A DAY ARE HELPING
HITLER**

**Most of them are
caused by matches or
cigarette ends**

**YOU CAN'T BE TOO
CAREFUL**

Licensing

Plans for post-war organisation still flow from trades which wish to see something like a guild system after the war, with restriction of entry. Everything that draws attention to this movement does a public service, whatever the intentions of the inquirers or publicists. The Association of Rotary International in Great Britain and Ireland has made a survey of projects through its constituent clubs; and it emerges quite clearly that, in the retail trade, for instance, there is a general wish among the associations to see both the number of shops and of traders restricted. There would be, it seems, a National Council, made up of representatives of employers and work people with a leaven of independent members. Each separate trade or group of traders would have its own committee. Each trader would be compelled to belong to the organisation of his group. There can be no doubt that trade organisations of this kind might well perform very valuable technical and professional functions. But it would only be possible to view their spread, on a compulsory basis and with the sanction of the state, with anything like equanimity, if, at the same time, it were made impossible for such bodies to engage in the practices that condemn them out of hand from the national standpoint, whatever their other virtues and uses. These practices are well known: the fixing of minimum prices and of maximum quotas of sales or output; and the restriction of entry—in short the supersession of competition by quasi-monopoly to the harm of the consumer. Unfortunately, it seems that restriction of entry and of competition is fundamental to almost all these plans. Even among the associations that agree on this principle of restriction, however, there is some disagreement. They cannot decide how to deal with "mixed businesses," with the sale of perfumery or soap, for instance, by a pharmacist, when there is a grocer next door. This sort of problem is very much exercising the ironmongers' associations—furniture shops which sell gardening tools and paint, drapers who sell hardware and so on. The aim is to prevent traders

from selling what they will, just as it is to prevent buyers from purchasing what they want where they choose. Fortunately, it is much more difficult to do than to aspire to.

Shorter Notes

The leader of the Ceylon State Council stated this week that the Board of Ministers considered that the British Government's declaration on constitutional reform in Ceylon (discussed in an article in *The Economist* last week, page 725) marked a definite advance. He added that they did not like the qualifications in the statement but, believing that they were unnecessary and would decay from disuse, they were proceeding to frame a constitution in accordance with the Government's offer.

Amends have been made to the Jews and Arabs arrested in Tangier for suspected pro-ally sympathies. A "pardon" has been issued by General Uriarte, the Spanish Governor of Tangier, and their release was initiated toward the end of last week.

At a press conference last week, Sir Wilson Jameson, Chief Medical Officer of the Ministry of Health, stated that by the end of last year about 3½ million children in England and Wales had been protected against diphtheria under the free scheme organised by the local authorities. Others had been immunised by private doctors or had been protected before 1941 when the national campaign was started. At least 50 per cent of the children aged 1-15 are immunised, but efforts will be made to raise the percentage to 75, for until that figure is reached, there will still be diphtheria epidemics in various parts of the country. The value of immunisation is shown by the fact that the number of deaths last year was 1,000 fewer and the number of notifications 13,000 fewer than the average for the previous ten years.

AMERICAN SURVEY

Agricultural Conversion

(By a Correspondent in Iowa)

Des Moines, April 30th

THE conversion of American agriculture to serve war needs is still far less complete than the conversion of industry, and will not be made complete in 1943. Partly, this is because there are so many more individuals making the basic decisions: there are over 6 million farms in the continental United States, with the operator and his family providing three-fourths of the total farm labour force for the lot. Partly it is because of the dangerous jockeying for position by the political spokesmen for agriculture and for labour, and by different interest groups within agriculture itself. Partly it is because the huge federal Department of Agriculture and the farm groups that have benefited from its activities find it hard to make the drastic shifts in attitude and measures necessary to switch from crop reduction and price raising to crop expansion and price limiting, though this switch was inherent in the whole "parity" concept and was consciously formulated from the start by such farm spokesmen as the Vice-President, Mr Henry A. Wallace.

One of the frictions most puzzling to outsiders and most dangerous to full production arises out of the notorious fact that roughly half the farmers in the United States produce nearly all the marketable surplus of food. So when the war brought a need to expand food production instead of to contract it, two schools of thought developed: one emphasising the desirability of getting the productive half

to produce yet more; the other emphasising the desirability of getting the largely untapped half into production for the market.

The latter school was championed inside the federal Department of Agriculture by the Farm Security Administration (FSA), which since 1937 has been engaged in a wide variety of endeavours to help low-income farm families toward self-support at better living standards; also by certain economists in the department's planning branch, the Bureau of Agricultural Economics, and, briefly, last winter by Mr H. W. Parisius while he was Director of Food Production. Outside the Department this policy was championed by the left wing of New Dealers generally and by the National Farmers' Union, the one of the three chief private farm organisations which has been closest to President Roosevelt on domestic policies in recent years.

This school promised a 20 per cent increase in farm production at a time when conservatives were fearful that there might instead be a decrease: 1942 had unusually favourable weather, the larger commercial farms were at, or near, capacity in that year, farm labour was being drawn off to the armed forces and war industries, and farm machinery production had been ordered to be cut to 23 per cent of 1940 and a cumbersome system of rationing applied to existing stocks of farm machinery.

Even so, Mr Parisius thought an expansion could be achieved, mainly by a gigantic extension of the highly

individualised "case work" methods developed by the FSA.

A whole train of obstacles—political, administrative and economic—stood in the way of this ambitious proposal. The political ones hit first. The severest critics of the FSA were among the substantial commercial farmers and plantation operators and their spokesmen in the Department of Agriculture and the farm organisations. Many of these thought the FSA "clients" were "worthless," the FSA staff "dreamers" or worse, and the whole scheme a costly subsidisation of undeserving and inefficient competitors and actual or potential farm labour. The FSA had vulnerable spots in its record, especially in its early years.

The American Farm Bureau Federation, headed for years by Mr Ed O'Neal, an Alabama cotton planter, and having its chief strength among the more prosperous commercial farmers of the corn (maize) and cotton belts, played a leading part in the fight as a national lobbying organisation, though not all of its state branches felt the same way. Economically, the arguments against the plan were that (1) any increase in the poorer farmers' food production would go largely to increase their admittedly inadequate diet, and (2) that with labour and machinery the chief limiting factors in production, it was more efficient to apply as much as possible to the richer lands of the commercial farmers and under their more skilful management. Even the FSA and the Farmers' Union recognised the force of this, and part of their plan was to train thousands of volunteer farmers and farm youths from the poorer lands—Appalachian hill country and cut-over Great Lakes districts—for year-round labour on the richer dairy and livestock farms of the corn and dairy belts, and to mobilise other thousands for seasonal labour on the specialised fruit and vegetable crops.

Beginnings were made on both these projects during the winter, along with plans to import farm labourers from Mexico, the Bahama Islands and Jamaica. The draft of farm workers into the armed services has twice been relaxed, until now all "essential" agricultural workers are deferred. Other sources being explored are former farm workers in non-agricultural jobs, conscientious objectors, prisoners, women and youths. The order issued by the War Production Board in November, holding down manufacture of farm machinery to 23 per cent of the 1940 production, was raised in February to 40 per cent, too late for all but late harvests in 1943. But stocks were released and more spare parts made available, and fortunately the great corn and wheat belts were already highly mechanised before the war.

Here, at least, Marxist prophecies of a proletarianised agriculture have not worked out. There is less dependence now on hired labour in grains than there was in the early days of farm machinery. Social customs restraining farm women and youths from doing certain types of farm work have been strongest in the grain, livestock and dairy belts, though modern machinery makes much more of it physically feasible and the taboo has been breaking down. This fact alone gives these areas an invaluable reserve labour supply for the emergency.

The small rubber-tyred tractor with powerful running lights and the still newer small crop harvester join these to make it possible for a corn belt family to run a family-sized farm by themselves with top modern efficiency. Trucks and "interior markets" have given them alternatives to the railroads and big city markets they once denounced as monopolistic middlemen. The telephone, the radio, often electric light and power, the automobile and the all-weather road have enriched their lives. These are the farmers whose crops pile up great surpluses. This year, in spite of labour and machinery troubles, they reported intentions to plant more corn, more oats, more soybeans, more potatoes, more flaxseed, more peas and beans. With the huge existing supply of wheat in storage and field and the many small farmers with livestock experience but not enough animals to keep them fully employed, there are sizable possibilities for expansion in hogs, dairy cattle, poultry, etc., given ample loans and some guidance.

Unfortunately, it is the larger farms with more hired labour and already in full production which tend to dominate most of the farm organisations and the farm bloc in Congress. Especially is this true in the South, where so many of the low-income farmers live, and where in seven states payment of a poll tax is a prerequisite to voting. There, even more than in the corn belt, is deep suspicion of outsiders from Washington who come in and lend money to these local poor folks and teach them expensive tastes. This suspicion acts as a drag on the full conversion of agriculture.

American Notes

Reciprocal Trade

The passage by the Senate of the Bill renewing the President's power to conclude reciprocal trade agreements was briefly noted in *The Economist* last week. The size of the majority on the final vote—59 to 23—and the fact that all amendments were rejected have been widely taken as a demonstration that Congress's bite is often less harmful than its bark. It is, indeed, an encouraging result; but it would be a mistake to read too much into it. For one thing, some of the wrecking amendments were rejected by majorities of as little as 44 to 33, which is less than the two-thirds majority necessary for the ratification of treaties. For another, though 7 Republicans voted for the Bill, they were matched by 7 Democrats who voted against it. And if there were any temptation to read into the vote a decisive indication of "internationalism," it can be deflated by the reflection of one American newspaper that Congress was, after all, only confirming its attitude of nine years ago.

Security for All

A Bill embodying most of the proposals of the National Resources Planning Board's report on social security has now been put before Congress by Senator Wagner. It proposes, on the one hand, to widen and strengthen the existing system of social insurance, and on the other to establish a more complete system of public assistance. On the question of insurance, coverage is to be extended to millions now outside the law; sickness and disability insurance is introduced, filling the greatest gap in the present law; and, perhaps most important, it is proposed to establish a unified contributory programme, based on a single 6 per cent contribution from employers and employees, and providing a uniform set of benefits throughout the country, in the place of the logically indefensible confusion of state and federal insurance schemes now in effect. From reports, it appears that Senator Wagner has suggested a level of benefits substantially higher than those now paid, particularly in the case of old-age insurance. Of particular interest are the provisions covering demobilised soldiers, who would be eligible for unemployment benefits ranging from \$12 to \$30 a week, according to the number of their dependants, and continuing from six months to a year if necessary. Strengthened Federal employment offices, under the auspices of the Social Security Board, would assist war veterans to find places in industry. Public assistance, now administered by the states on a system of equal Federal contributions, would receive additional funds under an arrangement whereby the Federal government would pay 75 per cent of the costs in the poorer states. The Wagner-Murray Bill embodies most of the social security reforms generally agreed upon by the experts, with the notable omission of the principle of the "right to work" put forward by the NRPB's report. In the reaction against anything smacking of New Dealism, however, it is doubtful whether the expansion of social security legislation stands much chance of passage through Congress. On this point the Republicans appear certain to take a firm and reactionary stand, and to preserve social security as a live issue for 1944. If the Wagner Bill has any hopes of speedy action, it is due to the skilful appeal to the soldiers' interest. The shadow of veterans yet to come already lies across the future of American politics.

Fetters for Labour

Mr John L. Lewis's compliance with the President's order that the miners return to work by June 7th has been interpreted, in the first flush, as his final defeat; but more than that, it is widely taken as proof of the need for even greater firmness in dealing with war-time strikes. It has not gone unnoticed that Mr Lewis's surrender followed with great promptness upon the passage in the House of Representatives, by a large majority, of the Smith Bill, which, among other restrictions, would have made it possible to send him to jail for his part in the renewal of the coal strike. Mr Lewis has a unique capacity for provoking Congress. The present Bill is a freshened-up version of the same Bill passed by the House in November, 1941, after an earlier coal stoppage. At that time, the efforts of the Administration and organised labour buried it in a Senate committee. Unlike the Connally Bill, which has passed the Senate, the

House Bill would apply in many respects to disputes in all war plants, not only to those which have been taken over by the Government. Among its most hotly opposed provisions are those requiring labour unions to register with the National Labour Relations Board, and file statements of their finances; prohibiting political contributions by labour unions; and requiring a secret ballot and a 30-day "cooling-off" period before the calling of a strike in a war plant. Two provisions are directed point-blank at Mr Lewis, and have led Mr Elmer Davis to christen it the "Lewis Anti-Strike Bill." One gives the War Labour Board the right to subpoena witnesses, a result of Mr Lewis's refusal to attend the Board's meetings; and the other imposes a fine of \$1,200, or a year in gaol, on any one instigating a strike in a Government-seized plant. Administration witnesses and spokesmen have vigorously opposed the more drastic provisions of the Bill, and good behaviour on Mr. Lewis's part might lead to their elimination, in conferences between the Senate and House representatives. But surrender has not sweetened Mr Lewis's disposition. Even in ordering the miners back to work, he took the opportunity of denouncing the War Labour Board for its order suspending collective bargaining during the walk-out. Moreover, it would be premature to assume that the affair is ended. Negotiations with the soft coal owners appear to be breaking down, with Mr Lewis declaring the conference a "farfetched proceeding," and an insult to the miners and the nation. The very fact that the return of the miners to the pits has been characterised by the union as an extension of the truce to June 20th only is explicit encouragement to Congress to retain in its Bill the most drastic provisions to deal with another strike.

are not forthcoming; and the prejudice which stands in the way runs right down into the working classes and the unions which represent them. That this prejudice hampers the successful prosecution of the war was the burden of a recent White House announcement which laid it down as the duty of all employers—public and private—and all labour organisations, to eliminate discrimination. And Dr. Frank Graham, announcing the Labour Board's decision, pointed out that in addition to the question of democratic sincerity, "the negro is necessary for the winning of the war." The increasing strain on manpower as the war progresses will provide better jobs for negroes. Surrendering to necessity does not, however, mean that there will not be tension. The Packard strike was an indication of the strength of feeling in the north. In the south, with its ancient tradition of negro inferiority, and its frankly avowed fears, the situation is even more delicate. Since war began, several southern states have been swept by alarmist rumours of proposed negro uprisings, rumours which, when tracked down, had no foundation in fact, but were apparently the spontaneously generated result of endemic fears. It should also be said that sections of the negro press have pursued a more violent policy than discretion might have indicated. The opportunities provided by the war for the advancement of the negro's position will be of lasting value only if the pace is not forced.

Shorter Notes

The Senate has passed the compromise "Pay-as-you-go" income tax bill. It now goes to the President, who is confidently expected to sign it.

The latest Gallup poll tested the popular attitude to the question of a fourth term for President Roosevelt. Voters were asked whether they would approve of a fourth term in three differing circumstances, with the following results:—

- (a) If the war is over. For a fourth term, 31 per cent; against, 69 per cent.
- (b) If the war is still going on. For, 56 per cent; against, 44 per cent.
- (c) If the war is not entirely over, but looks as though it might be soon over. For, 51 per cent; against, 49 per cent.

The Negro's Wage

"Equal pay for equal work" is a principle that now applies to negroes as well as to women in war work. The War Labour Board, in a test case affecting a small number of workers at a Texas oil refinery, has ruled that the classification of wages according to the colour of the worker be abolished. The difficulty of making such a decision a reality was almost simultaneously brought out by a strike at the Packard plant in Detroit, which was occasioned by the up-grading of three negro workers, who graduated to the assembly line from some more menial occupation. Although the decision of the Board breaks new ground, it will hardly satisfy the coloured man if opportunities for equal work

THE WORLD OVERSEAS

The End of Aberhartism

(From Our Ottawa Correspondent)

May 26th

IN his death—at Vancouver on May 23rd—Premier William Aberhart rated obituary notices that ran, in some instances, to several columns of Canadian newspapers. In his eight years of public life, he had been headline news, and not only in Canada, though on a decreasing scale lately.

CANADA

The remarkable development of Canada presents opportunity for post-war trade extension. Explore now. Canada's oldest bank welcomes enquiries.

Main London Office:

BANK OF MONTREAL

47 Threadneedle St., E.C.2

Assets exceed - \$1,000,000,000

Incorporated in Canada in 1817 with Limited Liability

When elected in 1935, Aberhart led a group of 56 out of 63 members in the Alberta legislature. His pledge to provide \$25 a month out of state resources for each adult in the province aroused fanatical enthusiasm in some districts and attracted migrants from other provinces. Foreign-born residents rushed to take out naturalisation papers to qualify for Social Credit dividends.

A man of attractive personality, who mixed religion with politics and aroused intense antagonisms as well as loyalties, Aberhart was the product of acute economic depression. As the social conditions which had created currents of discontent underwent change, the Aberhart Government mellowed and became, as the record shows, a passably honest and efficient provincial administration. Aberhartism as a doctrine of monetary reform and social revolution was steadily watered down as the shadow of economic ruin passed away. The end of the serious drought in the rich farm lands of Alberta, the rise of new prosperity based on the war demand for farm products, and the special Alberta boom, occasioned by Canadian and American defence developments in north-west Canada, restored a new faith in progress. None of these things was due to Aberhart. They came in spite of him. But they marked the turn of the cycle, and Aberhartism had run its course. Aberhart him-

self, before he died, was busily seeking to extend his political power. He was learning French, against the prospect of campaigning in Quebec. But his political movement was steadily losing ground. His small group in the Federal Parliament exerted scarcely any influence on national policy.

A retired British major, C. H. Douglas, the originator of Social Credit doctrine, played a curious part. Aberhart scarcely quoted Douglas, and probably preferred popularised versions of his clouded doctrine. The previous Government had Douglas under contract as an adviser, but he freed himself from the contract shortly after Aberhart took office. "In fifteen months," Douglas had said, "I believe that Alberta will be a blessed land." But finally Aberhart declared: "If Douglas does not come, why I'll do the job myself." "For the first time in modern history," Douglas had said, "a Government has been elected against the wishes of those financial powers which, for the most part, control all governments." Aberhart believed this, too, and acted in the faith. His chief obsessions were "the money barons" and the press.

On the negative side, Aberhart's inspiration was emphatic enough. He was against debt and poverty. He believed in the universal depravity of the human race. He experimented with a number of measures relating to monetary reform. His Government issued stamp scrip along lines suggested by Silvio Gesell. These "prosperity certificates" failed. At a net loss of \$350,000 a year, his Government has operated a system of Treasury branch banks, of which cheques circulate in Alberta. This scheme is probably an infringement of Federal banking law, but, possibly on the ground that it is better to allow the experiment to proceed rather than to stop it, there has been no interference with it.

As in monetary reform, the chief barrier to the cancellation and reduction of private debts has been the Canadian constitution. There is a field, restricted to approving debt settlements made by agreement and to providing administrative machinery for assisting such agreements, in which the provinces may operate in debt adjustment. But the arbitrary scaling down of debt contracts is beyond their jurisdiction, except in the power of moratorium. Altogether, the Aberhart Government sponsored twenty legislative measures that were disallowed by Ottawa or ruled unconstitutional in the courts. In a total bonded indebtedness of \$127,953,000, the province of Alberta has more than \$25 million worth of its bonds in default, through the refusal of the Aberhart Government to meet maturities. This was a case, not of inability, but of unwillingness, to pay. Since July 1, 1936, the province has offered to cash interest coupons only at half the contract rates.

The Spellbinder

The political career of Aberhart cannot be understood without some knowledge of his power as a spellbinder. He regularly conducted Sunday services, under the auspices of the Prophetic Bible Institute, which he founded while still a school teacher in Calgary. He would praise the virtues of Christian life and curse his critics in the same sermon. His campaigns for office were conducted in a spirit of vituperation unequalled in recent Canadian history. Those who criticised him were "terrorists and false propagandists." His sincerity was not in question when he declared that he could "create credit by a stroke of the pen," when he promised to pay dividends in "fountain-pen money." He was merely intellectually incoherent.

The stock in trade of most reformers of Aberhart's type is that the will of the people should prevail. Aberhart rather identified himself with the will of God. His most characteristic pose was, in the pulpit, as an interpreter of Scripture, a task aided by canned sermon material obtained from an American fundamentalist organisation. A man who denounced economists, Aberhart claimed omniscience on a scale to which no reputable economist ever pretended. There was a dark side to his career, and it appears in the perspective which a few years have provided for the troubled 1930's. Aberhart was in the line of reaction against liberal reason in politics. He attempted to shackle the press and to deprive bank employees of their civil right. His declared creed contained this:—

We believe in the creation of man in holiness, by direct act of God, and not by an evolutionary process; in the historicity and terrible reality of the fall of man and the resulting total and universal depravity of human nature.

Whether Aberhart had said that the average mentality of the people of Alberta was thirteen years of age was once a subject of controversy. In a sermon on July 26, 1936, he said: "The mass of the people to-day have never been

taught to think or reason." He acted on the supposition.

Many progressive-minded people regard Aberhartism as a reaction to progress. Aberhart's career served the purpose, however, of producing a long public discussion on money and banking and, as well, it illuminated many precise aspects of the relations between the Dominion and the provinces. He helped to delay the Federal Government's programme of reform in Dominion-provincial relations, and his death removed from public life the last of the three provincial premiers who blocked the Dominion-provincial conference of January, 1941. His emphatic affirmation that a better social order is within reach drew many deep undercurrents of social discontent into his following in the years that will be remembered in Alberta as the hard times. For that reason, he will be remembered by many as a legendary figure, full of righteousness, indignation and violent language, on the side of the angels.

Bolivia at War

[FROM A CORRESPONDENT IN LA PAZ]

May 1st

ON April 5th, the day Mr Henry Wallace arrived in La Paz, the public was surprised by the announcement that the Supreme Defence Council had recommended President Peñaranda to decree a "state of war" (as distinct from a "declaration of war"). On April 7th this recommendation was accepted.

Bolivia's action was probably motivated by several factors—some international, some domestic. At least two of its neighbours, Peru and Chile, seemed to suspect that Bolivia's underlying intention was to outsmart them and to secure advantages by obtaining as a belligerent the right to participate at the peace conference and to push energetically its demand for an outlet to the sea. The La Paz evening paper, *La Noche*, has waged a campaign to this effect since the beginning of the year. Suspicion of Bolivia's intentions was voiced by Sr Alberto Ulloa, ex-Foreign Minister of Peru, in an article published by *La Prensa* in Lima:

We are aware that the only gun-shot which Bolivia will probably fire in the Second World War will be towards the sea and at a very definite target at that. This was how Chile took it. This is how we take it too. . . .

And although Anze-Matienzo, the Bolivian Ambassador in Lima, immediately and categorically denied that "several war plans were being worked out and that one of them was directed against Peru," the discussion was typical of opinions held by certain quarters in Chile and Peru.

Another motive attributed to the Bolivian Government was that it wished to bring pressure on the US Government by the declaration of a state of war and persuade it to grant higher prices for Bolivia's strategic minerals, particularly tin and tungsten, and perhaps secure long-term contracts which would prevent a collapse in the Bolivian economy at the end of the war.

So far as domestic implications are concerned, Bolivian politics are very much dominated by next year's presidential election. The present coalition of the traditional parties resembles the headquarters of an army, with a lot of generals but no soldiers to command. Its popularity declined even more after the recent tragic events in Catavi

DISCOVERY

Vol. IV.

JUNE

No. 6

Monthly Notebook	D. S. Evans, M.A., Ph.D.
Coal and the National Economy	E. W. Salt, M.P.
X-Rays and Atoms	H. Lipson, M.A., D.Sc., F.Inst.P.
From Beet to Sugar	W. H. Parker, M.Sc., and H. Wickenden

Russian Research on Potatoes	N. Elizov
Feeding the American Army	
Night Sky in July	M. Davidson, D.Sc.
The Book-Shelf	Far and Near

Annual Subscription 19/- post free from publishers.

Single copies 1/6 from all booksellers.

THE EMPIRE PRESS - NORWICH

(described in *The Economist* of March 27, 1943, page 395). The state of siege decreed on the outbreak of the strike in the Patiño tin mines expired on March 15th, and there was no justification for prolonging it. The repression of the PIR (the political party of the Bolivian working class) had not yielded the desired results—on the contrary, it had made martyrs of them. The Bolivian press has even talked about a left wing presidential set-up—a Socialist as President and a member of the PIR as Vice-President.

The traditional parties then set out to state the somewhat artificial issue between "civilismo" and "militarismo," which meant attempts to put an end to the list of military Presidents—the sequence since 1936 has been General Toro, Lieutenant-Colonel Busch, General Quintanilla and General Peñaranda. This move was intended to secure popular support. *El Diario*, the mouthpiece of the Liberal party, on a trivial pretext, violently attacked the army. This immediately caused a Cabinet crisis, but a solution was repeatedly adjourned, because of Mr Wallace's pending visit. At last, however, it could not be put off any longer, and it was found in the declaration of a state of war. This placated the military, giving them more power; established a certain, though uneasy, equilibrium between the governing civil parties and the army; and finally gave guarantees to the big mining operators that under "complete mobilisation" every miner will be compelled to work six days a week. It was soon officially announced that there would be no military mobilisation, only industrial, in order to increase the production of strategic materials which will remain Bolivia's main contribution to the war effort of the United Nations.

It certainly did not add to the popularity of the measures adopted that public opinion was wholly unprepared and saw no concrete reason for Bolivia's entry into the war. It was feared that, with the help of the emergency powers thus obtained, the present coalition would perpetuate itself; that the presidential election would be held under martial law; and that from now on any demand for an increase in wages or an improvement in living conditions could be considered a "seditious act." The movement of National Revolution charged the Government with having deprived the people of any control over public affairs. The PIR demanded freedom of association for labour and that the administration should be cleared of "fifth columnists"—but gave its support to the declaration on condition that the state of war should not be used by the Government to suspend public liberties and perpetuate low wages.

A Merchant Navy for Eire

[FROM OUR DUBLIN CORRESPONDENT]

May 24th

It has frequently been remarked that the Irish are not a seafaring people. In spite of the fact that no part of the country is more than sixty miles distant from its long coastline of two thousand miles, the fishing industry and the mercantile marine have never developed to the extent that might have been expected. In the eighteenth century, Irish shipping was discouraged by the Navigation Laws. In the nineteenth century, although Irish imports and exports were mainly conveyed by British ships, a number of flourishing Irish shipping companies were established. Many of these companies amalgamated with British companies in recent times, and went out of existence. Since the Treaty, Irish shipping has not been regarded as a protected industry, and the number of Irish ships was reduced still more in the years before the war. When the war broke out, want of

The MERCANTILE BANK of INDIA

LIMITED

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

Branches and Agencies Throughout the East.

EVERY DESCRIPTION OF BANKING BUSINESS TRANSACTED.

Trusteeships and Executorships Accepted.

shipping was acutely felt. Belligerent shipping was fully occupied for war purposes, and neutral ships became difficult and very expensive to charter. An attempt has been made to build up a mercantile marine and a small naval force in the last three years. Needless to say, the price paid for ships acquired during this period was abnormally high, but the expenditure was necessary if essential supplies were to be maintained. More than one Irish ship has perished at sea with regrettable loss of life.

With the object of awakening interest in mercantile affairs there has been established the Maritime Institute of Ireland. This body has organised a National Maritime Week, the principal feature of which was an exhibition in the Dublin Mansion House. Opening it, Mr de Valera stated that it had been at all times the policy of his Government to establish a mercantile marine. He revealed that, shortly after his coming into office in 1932, attempts had been made to do so, but that many unexpected and insuperable difficulties had been encountered. The war had provided an opportunity for taking measures which could not have been undertaken in peacetime, and the experience gained during the emergency would not be forgotten when normal conditions were restored. The provision of a reasonable supply of Irish-owned ships is an entirely laudable object of national policy, although, of course, complete self-sufficiency in this respect, as in others, is unattainable. An island so dependent as Ireland is on external trade for its very existence should be able to rely, at least partly, on its own resources for the transport of essential imports and exports. Even those whose bent is in general in favour of free trade will be prepared to make an exception in the matter of marine transport. If any excuse be needed for this apparent inconsistency, the great authority of Adam Smith may be invoked.

If the exhibition achieved no other useful purpose it at least aroused considerable interest in Dublin. It should be shown in some of the leading seaport towns, where nautical schools should also be established. The success of the seafaring industry would be assisted by the further development of the fisheries. During the last war, the Irish fisheries enjoyed a period of great prosperity, but they collapsed in the post-war slump. Since the Treaty, the Sea Fisheries' Association has been founded, and the country now possesses a good fleet of well-equipped fishing boats. Although fish is expensive, it is not very scarce. If it were not for the Irish fishing boats, it would be quite unobtainable. It is to be hoped that future years will see the development of the fishing industry, and of a mercantile marine that will belie the statement that "in Ireland the sea is something to be looked at and not used."

Changes in Arab Economy

[FROM OUR JERUSALEM CORRESPONDENT]

March 31st

THE native sector of Palestine's economy is usually regarded as static, contrary to the novel, dynamic economy built up by Jewish immigrants. This assumption is, however, a fallacy, originating in the general appearance of backwardness presented by Arab social life, and in the lack of reliable figures about the changes occurring therein. In fact, the Arab economy, too, is at present in a state of rapid growth and transition. During the last decade, the Arab population of Palestine has increased by almost a third and has reached about 1,100,000, still making almost 70 per cent of the country's total population (against about 90 per cent twenty years ago). At the same time, its standard of living, previously higher than in the adjacent countries, has further improved; agriculture has been both expanded and intensified; the number of Arab workshops and factories, though still very small, is on the increase; and recently there has been a marked progress even in Arab banking. The old feudal structure of the native society is rapidly giving way to new social forms, and it is this rise of new social forces, more than the reaction against foreign predominance, which finds its expression in the local national movement.

On the other hand, it should be borne in mind that this development has been very much fostered by external factors, chiefly by Jewish immigration. The growth of the urban population, from 250,000 in 1922 to almost 400,000 in 1931 and to about 750,000 at present, has provided a ready and ever expanding market for the produce of the fellahin and for Arab hired labour. The bulk of the new townfolk, however, are Jews, while among the Arabs the percentage of urban population is still only about 30 per

cent, and has scarcely risen since the British occupation. The best explanation for this phenomenon may be found in the following figures, showing a continuous rise in the income derived by the Palestine agricultural community, of which Arabs constitute an overwhelming majority.

INDEX NUMBERS OF VOLUME OF CROPS

(Weighted by Standard Prices)

(Average annual crop during 1926-1936=100)

Year	Cereals, Legumes and Oil Crops	Vegetables	Fruits (Other than Citrus)	General Index
1931	78	98	171	95
1932	47	158	125	56
1933	45	158	79	55
1934	93	237	138	107
1935	115	440	310	163
1936	79	456	326	156
1937	140	791	387	210
1938	85	713	397	166
1939	106	846	384	185
1940	154	1,306	430	250

To a small extent, this increase is a result of Jewish agricultural colonisation. But, on the other hand, the index does not take into account the considerable development of native animal farming, nor the expansion of Arab citrus plantations and the areas under tobacco and fodder crops. Moreover, the large-scale residential construction, the public works connected with it, the increased volume of commerce and transport, and, to a lesser extent, the establishment of new manufacturing plants, all of them have created additional sources of income. To these should be added the sums which the Jews have been pouring into the country in exchange for the lands they need for settlement. Since 1920, these sums have totalled about £Pro million.

The continuous influx of capital has enabled the Arabs to get rid of a great part of their indebtedness, and furthermore to invest large sums in earning assets, mainly in agricultural holdings and in urban properties. They were also anxious to adopt the new methods of farming introduced by the Jews. To quote one example—tractors were introduced into Palestine by Jewish settlers about 15 years ago, and up to the disturbances Arab farms and plantations also had been ploughed up by Jews. They were also instrumental in breaking large tracks of virgin land in the south. But by now this job is done almost entirely by the Arabs themselves, who own about 10 per cent of all the tractors in the country. So Jewish immigration has not only created a new external demand for land in Palestine and enhanced its price; at the same time it has enabled Arab farmers and capitalists to extract increased revenue from landed property, and supplied them also with means for expanding their holdings.

It looked as if the prolonged pre-war disturbances would greatly reduce the impetus of this development, and thereby create a situation favourable to a political truce. But, during the years of war, the influx of money has set in again, and the accumulation of excessive purchasing power has been most pronounced in primitive agriculture, which is least affected by the rise in the prices of raw materials, imported implements, and so on. In 1942, the net income of the Arab agricultural community was perhaps twice its pre-war volume, and the loss of citrus exports is more than offset by the increased Government expenditure on public works. The monthly pay-roll of persons employed by Government departments (most of whom are Arabs) has risen to over £P750,000, about four times as much as in 1938; and Arab industry too is benefiting from the bigger demand. Moreover, because of the curtailment of Jewish immigration, large numbers of Arab labourers have been absorbed in Jewish citrus groves. It would, however, be wrong to infer from this that the Arab-Jewish antagonism is fading away. The increased inflationary pressure is accompanied, not only by a scramble for goods and by a rush in the real estate market, but also by a marked advance of capitalistic forces within the Arab society and by a new stiffening of national relations. It is significant that the first representative Arab assembly since the outbreak of war was followed by a series of conventions of Arab chambers of commerce and business circles. The chief concern of these assemblies was economic matters, and the most important of the resolutions passed were those in favour of establishing a national investment company; against the proposed new taxes, especially the estate duty; and demanding the re-establishment of the Arab National Committee dissolved since the disturbances.

Chairman's Copy

Progress Report for a Meeting

of the Directors

on

Co-operation by the Company in the Battle for Fuel

1. **Boiler Plant.** Following the survey by the Ministry of Fuel's engineers, instruments have been repaired, leaky brickwork made good, damper controls adjusted and made accessible.

Foreman and boiler staff are attending the Ministry's local lectures.

2. **Process Work.** On advice of Trade Association Fuel Efficiency Committee:

- (a) boiling processes are started at staggered intervals;
- (b) steam supplies to vats are reduced as soon as boiling point is reached.

Production has not been affected.

3. **Heating of Workshops.** Thermostatic control is to be installed. Meanwhile temperature of shops has been restricted to minimum required by Factory Acts. Welfare Officer reports even temperature is generally appreciated.

Door-shutting campaign for exclusion of draughts is already showing results.

4. **Fuel Consumption Records.** Weekly fuel consumption records are now posted in each shop as basis for inter-staff economy competition. Steam raising already shows 10% fuel saving and process side 12% Used Lub. oil is now reclaimed and re-used and consumption of new oil is down by 10%.

5. **Further Action.** Keep in close touch with the Ministry of Fuel and the Fuel Efficiency Committee of Trade Association.

A Staff Fuel Efficiency Committee is suggested to:-

- (a) survey continuously all fuel-using operations;
- (b) follow up fuel-watchers' reports;
- (c) carry out Lub. oil economies suggested by suppliers.

(Signed) S. MacTavish
Chief Engineer

Issued by the Ministry of Fuel and Power

THE BUSINESS WORLD

Finance and Banking

Immobilised Credit

The money market continues to be driven by the authorities on a fairly tight rein. For about three weeks there has been no superabundance of credit such as the market grew accustomed to during the earlier months of the year. This week there has been no repetition of the special assistance which was required in the latter part of May, but the needs of the market have been barely satisfied by the available amount of credit; and there have been no cheap balances from non-clearing bank lenders offered at under 1 per cent. It is still too early to say that there has been a change in the official policy of maintaining an ample margin of surplus cash with the banks; but it is clear from the evidence of recent Bank returns that a much larger volume of credit is being kept immobilised in public deposits than has been the case for some time past. This week again, though these deposits have fallen by £2,813,000, they remain at the comparatively high level of £14,456,000. Bankers' deposits have received the full benefit of this slight fall in Government balances and are £3,332,000 higher at £143,627,000. This last figure must, however, be considered low by recent standards, and is fully in keeping with the conditions of near-stringency experienced in the money market during the week. The evidence of the Bank returns is not conclusive proof of a change of policy, since the position tends to change widely from day to day, while the weekly return is an instantaneous photograph of the situation at one particular moment of the week. But the persistence with which recent Bank returns have shown

public deposits above the normal level cannot be altogether ignored. The exceptional receipts from subscriptions to Government loans during the Wings for Victory campaign is one probable explanation of the phenomenon. The Treasury may have persistently underestimated these receipts when arranging its floating debt operations. This week floating debt changes have had little net effect on the credit situation. Payments for Treasury bills have been £15 million in excess of maturities, but Treasury deposit payments at £50 million were £30 million below nominal maturities, and, it is estimated, some £15 million below true maturities.

Peso Exchange Moves

The rigid and somewhat artificial structure of official Argentine exchange rates has remained entirely unaffected by the political convulsions in that country. The free market rate, however, has tended to move adversely to Argentina, and the US dollar, which for some months past had been falling in that market, has been week, recovered appreciably. This movement has been reflected in the rate for payments into the Argentine special sterling account for remittances to Argentina in settlement of peso debts. The rate had been 15.96 to the £ since May 20th, but was revised to 15.99 at the beginning of this week, falling back to 15.96 again on Wednesday. This rate is quoted by the Bank of England after receiving advice from Buenos Aires and applies to the comparatively small business for the acquisition of pesos required to meet peso debts in Argentina. Remittances for ships' disbursements are, perhaps, the most typical of these operations. The greater part of the current commercial payments to Argentina is made in sterling and canalised through the special account maintained for the Argentine authorities in London. The rate for remittances to Argentina through the special account is now fixed so as to give the Argentine authorities the full benefit of the open market peso-dollar rate. Up to the middle of last month, the rate for making such remittances was 16.95½ pesos to the £, and the remitter was thus for a time insulated from the appreciation of the peso in the open market. That protection has now disappeared, and the rate for effecting such remittances to Argentina closely follows the open market trend. The rate for reverse operations, that is, for financial remittances from Argentina to the sterling area, remains 17 pesos to the £. This rate is largely inoperative, because remitters have the alternative of buying US dollars in the open market and converting these dollars into sterling at the official rate. Since the appreciation of the peso in the open market, which got under way towards the end of last year, this alternative method of remitting funds to the sterling area has been cheaper than the official rate and has consequently been used. It is only natural that the Argentine authorities should have made a corresponding adjustment in the rate for inward remittances.

Argentina's Gold Clause

This considerable adjustment in the rate at which sterling paid into the special account is convertible into pesos for remittances to Argentina must increase still further the exceptional exchange profits of the Banco Central. It is true that under existing conditions such operations merely involve a more rapid accumulation of temporarily blocked sterling held in the Argentine special account in London. But it appears that this sterling is guaranteed by the British Government under a gold clause. This fact was not announced at the time of the conclusion of the payments agreement between Argentina and the United Kingdom, but it is categorically stated in the annual report of the Banco Central for 1942. This document, commenting on the problem of blocked pounds, states that the equivalent of 295 million pesos had been accumulated by Argentina in

blocked sterling up to the end of the year. Of this total, 33 million pesos was held for account of the commercial banks. This accumulation of sterling would have been even greater had it not been for the repatriation of public and private sterling debt which the Banco Central estimates to have totalled 123 million pesos. The gold guarantee given to sterling held here on Argentine account means that pesos must, in effect, be reckoned among the hardest of hard currencies with which the British authorities have to deal.

Smaller Credit Expansion

The banking figures for 1943 to date show a remarkable slowing down in the rate of credit expansion. The total of clearing bank deposits for May was £63 million lower than it was at the end of 1942. There is normally some deflation of credit over the first months of the calendar year, owing largely to the concentration of revenue payments in that period and to the consequent repayment of floating debt. But since the beginning of the war this seasonal factor has been largely neutralised by the persistent deficit at which the national finances have been running even during the periods of heavy revenue collection. It is true that over the first five months of 1942 bank deposits dropped by £198 million, but this movement must be read in con-

(In £ millions)

	May 1942	Jan. 1943	Feb. 1943	Mar. 1943	Apr. 1943	May 1943
Capital and reserves	140.3	140.9	140.9	140.9	140.9	140.9
Acceptances, etc.	95.9	94.3	94.9	92.0	92.6	91.7
Notes in circulation	1.5	1.5	1.6	1.6	1.6	1.6
Current, deposit and other accounts	3,131.2	3,576.6	3,524.9	3,541.9	3,545.1	3,565.6
Total liabilities	3,368.9	3,813.3	3,762.3	3,776.4	3,780.2	3,799.8
Cash	326.4	378.9	372.8	376.5	374.9	377.0
Cheques, balances, and items in transit	125.2	124.7	124.1	137.2	119.0	121.6
Money at call	133.1	145.8	153.7	139.3	142.3	158.0
Discounts	290.7	197.4	148.0	172.5	128.4	154.1
Treasury deposit receipts	470.5	935.0	932.5	883.5	963.5	923.5
Investments	1,049.4	1,112.2	1,108.5	1,132.4	1,136.8	1,150.3
Loans and Advances	810.7	758.7	761.5	776.6	756.4	757.3
Investments in affiliated banks	23.8	23.9	23.9	23.9	23.9	23.9
Cover for acceptances, premises, etc.	139.1	136.7	137.3	134.5	135.0	134.1
Total assets	3,368.9	3,813.3	3,762.3	3,776.4	3,780.2	3,799.8

junction with the accompanying increase of £231 million in the amount of tax reserve certificates outstanding. This year the fall in bank deposits can only be attributed to increased holdings of tax reserve certificates to the extent of £10 million. The principal factor in the slowing down of credit expansion in the early months of this year is to be found in the Wings for Victory campaign, which has been rather more concentrated in the matter of time than the preceding efforts of this character. Another factor has been the extension of lend-lease and free deliveries from the United States and Canada respectively. These do not affect the credit position at all, whereas expansion took place when cash payments were made and when Canada accumulated

sterling in respect of the payments due to her. The clearing banks' own participation in Wings for Victory weeks is again evident in the May returns which show a further increase of £13,590,000 in investments. The same factor is also reflected in the drop of £40 million in TDR's, which is accounted for by heavy pre-encashments to finance the banks' and their customers' subscriptions to Government issues. Against this movement, bills have risen by £25,654,000, showing that the banks are beginning the process of building up their exceptionally depleted bill portfolios from the larger offerings now made at the weekly tenders. An increase of £15,687,000 in short loans is a partial measure of the much increased holdings of bills in the discount market.

Vertical Combination in Lombard Street

The advent of the United Dominions Trust as the principal shareholder in one of the discount houses continues to provide the main subject of discussion in the money market. There is no disposition to criticise a specific operation which must have received the blessing of the Bank of England, whose concern for the well-being of the discount market is proverbial. But the general principle at stake—that of vertical combination in financial operations of this kind—is perhaps questionable. Even assuming that the UDT will not go out of its way to canalise its bills to the discount firm in which it is now so greatly interested, that firm can hardly help handling a certain amount of its parent company's business. To that extent, the creator and discounter of the bills in question will be interrelated, with some inevitable deterioration in the quality of the paper concerned. It only needs a further capital transaction by which one of the clearing banks would take a participation in the UDT-Ryder group for the vertical combination to be completed, and to bring within one fold the drawer, the discounter and the ultimate buyer of these bills. The question is of somewhat academic interest now, because the amount of hire purchase paper making its way to the market is negligible. The position is also safeguarded by a special agreement which guarantees the complete independence of the existing management of Ryders Discount Company. But managements are mortal, and this agreement is similarly conditioned. The temptation for hire purchase finance houses to use the facilities of the discount market to the fullest possible extent is evident from the disparity between the terms quoted at each end of a hire purchase transaction. The cost of financing hire purchase paper in the market would be rather less than 3½ per cent to-day, namely, 2 per cent acceptance commission to the acceptance house and slightly more than 1 per cent as the discount on the resulting bills. As against this, a recent Government order stipulates that 20 per cent on the balance after the initial payment must be the maximum cost of a hire purchase sale to the public. There is a substantial margin between these two figures. The technical adjustments to the recent increase in the capital of Ryders Discount Company are being completed. The firm has increased its facilities with its bankers, and its quota as a member of the discount market syndicate for Treasury bill tenders is presumably being adjusted to its new capital.

Investment

Industrial Replacements

The letter from Sir Kingsley Wood to Sir Arnold Gridley on the matter of the EPT refund seems to fall far short of meeting the desires of the industrialist. It makes it clear—if that was still in doubt—that the conditions to be imposed by Parliament apply only to the distribution of the refund. It must be used for replacement of capital, and not directly to increase the receipts of shareholders. It is difficult to see that much more can be done at present. Industry would like to see the obligation acknowledged in actual legislation, leaving only the appointed day of payment to be named, but even that would not bind a Government which did not wish to make the refund. There can be no doubt that one of the objects, which ought to have priority at an early date, is the re-equipment of industry with up-to-date plant. There can equally be no doubt that legislation ought to be such as to encourage, if not to enforce, much more rapid replacement than was common before the war. Over a considerable field, EPT refunds can scarcely help toward the solution of the problem, for although the plant of these

concerns may not be worn out, it will tend to be obsolete. It is known that the Board of Trade is engaged in taking an inventory of the post-war capacity of some trades, and of the supplies of materials and amount of factory space and machinery required to reach full pre-war production. It does not appear, however, that any arrangement is being made so far for the replacement of old plant by new. It is possible to read into the questionnaire the idea that existing concentrations are to be maintained. Whether this is with a view to securing the largest possible output with the minimum of capital replacement, leaving the adjustment to better things to a later date, is not clear. If this is the intention, it may be worth pointing out that the analogy with the decision at Hot Springs does not hold. It is probable that people must have food in quantity, rather than quality, and irrespective of cost, if they are not to pass beyond the hope of salvation. With replacement of stocks, it would be more true to say that every sacrifice, in the immediate post-war period, made to secure improved capital equipment, will, before long, pay for itself in better, cheaper and more plentiful production.

Voice of the North

Map showing regions: TWIXT TRENT, SCOTLAND, NORTHUMBRIA, DURHAM, NORTH RIDING, WEST RIDING, YORKSHIRE, LEEDS, LINCOLN, CHESHIRE, DERBY, NOTTS, SHROPSHIRE, LEICESTER, AND TWEED.

The Yorkshire Post

ASK TO SEE IT AT YOUR CLUB, LIBRARY OR NEWSAGENT

Aircraft Prospects

It is perhaps not very surprising that aircraft shares have been little affected by Sir Stafford Cripps' statement that the post-war aircraft industry could not be maintained at more than one-tenth of its present size. The proportion seems small, but the figure, whatever it is, will be determined by the size of the RAF, since the demand for civil aircraft must be comparatively moderate. According to a statement of Lord Brabazon, the present dimensions of the industry are 60 times pre-war, so that Sir Stafford's figure still allows for a five-fold expansion. That is, however, little consolation to shareholders in individual companies, for there is no means at present of judging the relative efficiency of those firms whose sole business is the production of frames, or engines, or both. Still less can one judge of the relative performance of companies which have taken on aircraft construction since the war broke out. Equally, it is impossible to trace the expansion of the industry out of its own funds, which may have occurred over the past few years. The accounts bear eloquent witness to expansion in turnover in swollen figures of stock-in-trade, but it is seldom the case that fixed assets show any great change. In fact, the figures of the accounts can form no basis for assessing future possibilities. As in the past, the safest guide is the reputation of the company, but it is impossible to place a quantitative value on that. As in other industries, the lot of any individual firm will be determined largely by the organisation of the industry after the war.

It was not until re-armament was well advanced that any orders for design were placed outside the approved circle of full members of the Society of British Aircraft Constructors. Sir Stafford stated that post-war industry would be carried on by the most efficient firms. If this means that all firms which choose to remain in the industry will be allowed contracts on the basis of efficiency, it is a great step forward. But if it means that the Government will choose a few large firms—presumably the most efficient at that moment—with which to place future orders, it will be retrograde. Virtually, the whole demand for aircraft will come from the Government. Export demand is not likely to be large, and only local services and private planes are not covered by Government ownership or control. Further, does Parliament intend to retain under its own control part of the industry, as in the case of the ordnance factories? Evidently, there is a sufficiency of uncertainties to make the investor pause before putting his money into any but one or two of the most firmly established concerns.

Argentine Railways

The immediate effect of the Argentine revolution, or rather of the statements that it was a pro-Ally move, was a very sharp rise in most Argentine investments and particularly in railway equities. At the time of writing, there is no certainty as to what the short run outcome of the revolution will be. If it should prove that whatever Government finally obtains control is more democratic and more sympathetic to the United Nations than the old, that will presumably have some influence on the attitude toward British capital in the Republic. The main determinant will, however, be economic and, in particular, the conditions of trade between this country and Argentina. In the immediate future, the outlook for Argentine external trade is none too bright. The annual report of the Central Bank shows that the fall in total imports was not particularly severe in 1942, while the physical volume of Argentina's industrial production increased at an accelerated rate. This year, there is in progress a more drastic reduction of imports of commodities which are regarded as indispensable to industrial production. The total of these is estimated at 519,100 tons, against 693,100 last year and 1,487,700 tons for the average of 1938-40. Rather over one-quarter consists of metals, machinery and fine chemicals; a further 115,900 tons is made up of newsprint and wood paste for paper and rayon manufacture, while soda and calcium compounds account

ROBSON, MORROW and UNDERWOOD wish to engage a first class accountant, Chartered Accountant or equivalent with wide executive experience, who can be trained as an Industrial Consultant. Four figure salary and excellent prospects. Mark envelope "Application." Full particulars to Robson, Morrow and Underwood, Victoria Station House, Victoria Street, London, S.W.1.

for a further 80,000 tons. Nearly three-fifths of the total is to come from the USA; the British contribution is not mentioned. Despite all efforts to develop home production and substitutes, and despite the possession of substantial stocks, a fall in the standard of living is inevitable if the war continues for any length of time. Transport of substitutes is probably one of the reasons for increased gross railway traffics, but their use, and in particular the shortage of fuel, is likely to reduce net takings. The very favourable balance of payments, assisted by capital receipts of 235 million pesos, has led to a further accumulation during 1942 of foreign currency holdings of 503 millions, after repatriating 135 millions of public and private debt. The report makes it clear that the principal limitation upon the amount of repatriation was the difficulty of raising the peso equivalent by loans and taxation. A recommendation is made for overcoming this difficulty. This and a number of other statements suggest very strongly that the policy of the bank, and presumably that of the financial authorities as a whole, is to reduce by every means possible reliance upon foreign capital and imports of all but capital goods, both now and after the war.

Imperial Cold Storage Issue

For the second time within eight months the Imperial Cold Storage and Supply Company, registered in South Africa, is making a substantial issue of ordinary capital, mainly to holders of that class. Unlike the offer of October last, that now proposed is not to finance expansion, but to provide the bulk of the funds for the repayment of £971,800 5 per cent debentures at 102½. For this purpose, there are to be created and issued a further 650,000 ordinary shares of £1 offered at 27s. 6d. Of these, 450,000 go to existing holders at the rate of two new for every five old. As the price of the shares in the market is some 35s., this represents a bonus by way of rights of about 2s. 6d. per old share. The remainder go to the Anglo-American Corporation, and the Industrial Development Corporation, both of South Africa, in consideration of which they will underwrite the whole issue free of payment. A similar arrangement was made in October last, when an equivalent proportion was allotted firm, but the price was then only 22s. 6d. After the previous increase in capital, the dividend was raised from 10 to 12½ per cent. Presumably, in raising new ordinary shares, on what appears to be rather onerous terms, in order to repay a debenture on a basis of rather under 5 per cent, the board has in mind the very lean period experienced by the company prior to 1936, when for several years losses or very small profits were made. Incidentally, it is interesting to note the increasing extent to which finance houses, primarily associated with gold mining, are providing the backing for new ventures and the refinancing of old ones, not only throughout Africa, but in other developing areas. In this case, each of the underwriters is receiving a seat on the board of the company.

Cable and Wireless Payment

Those who have been running up the price of Cable and Wireless (Holding) ordinary, in the expectation of an increased dividend, have been disappointed. The payments of both operating and holding companies are unchanged at the established rate of 4 per cent, but it is worth observing that the rate of tax deduction is to be only 8s. 11d. against 9s. 10d. last year. The rise on the year in the price of the equity stock was some 24 points to 84, of which almost half has occurred in the past two months. The inner ring of the market—jobbers and brokers particularly interested in the stock—have always emphasised the point that a rise in the rate of dividend was extremely problematical. Apart from the crucial question of EPT, on which no statement has so far been made, the revenue must have been adversely affected by the loss of the Eastern business, while receipts from the investment trust side of the business are not likely to have advanced appreciably. The Marconi dividend is also unchanged on the year. It seems highly probable that the distribution is being "stabilised" at 4 per cent, at least for the duration of emergency conditions. At a cum-dividend price of 80, the yield is £5 14s. per cent, subject to tax at the full standard rate of 10s. in the pound. In a world in which the free flow of international trade in the hands of private enterprise were assured, the dividend would appear to be virtually guaranteed. The fact that the yield is well above the industrial average is some indication of the doubts as to the post-war international set-up.

Company Notes

Ford Motor Improvement

The 1942 accounts of Ford Motor show total profits after EPT which required £1,365,703 in the previous year. There is, however, a satisfactory increase in trading profits from £2,044,783 to £2,267,121, and it is plain that the gross figure was correspondingly higher. Income-tax liability is up from £711,091 to £749,900, but there is again no transfer from profits for war damage, so that, although other charges are somewhat higher, there is an increase in equity earnings from 7.8 to 10.5 per cent. The trend of profits over the past three years is analysed in the following table:—

	Years ended December 31.		
	1940	1941	1942
Total profits*	2,785,594	3,410,863	*2,267,290
Depreciation	851,559	793,443	798,654
Fees, pensions and ARP	213,856	190,172	245,168
Income tax	735,000	711,091	749,900
EPT and NDC	920,000	1,365,703	...
War damage	102,500	...	...
Ordinary shares:—			
Earned	Dr. 37,321	350,451	473,568
Paid (net)	270,000	270,000	270,000
Earned %	Nil	7.8	10.5
Paid %	6	6	6

Contingencies 100,000 100,000 100,000
Carry forward† 961,716 1,050,841 1,191,010

* Shown after EPT in 1942.
† After bringing in from past profits £325,000 in 1940, £108,671 in 1941 and £36,601 in 1942.

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 directors are applying a dividend stabilisation policy so that there is no rise in the ordinary distribution above the customary 6 per cent. It is possible to increase the carry forward from £1,050,841 to £1,191,010 after repeating the £100,000 to contingencies by bringing in £36,601 surplus on guarantee premiums held in suspense. The rise in net profits, despite the fact that the company is well within the EPT level, is presumably due to an expansion in the capital employed. It is, of course, common knowledge that there has been a marked rise in physical turnover and in output of tractors and other agricultural machinery on which the group is mainly employed. The chief feature of the balance-sheet is the increase in liquidity. The directors point out that this is a matter of policy reflecting estimated post-war replacement needs. Net liquid assets are up from £5,341,231 to £6,345,138. There has been a switch from cash holdings to investments in Government securities, including tax reserve certificates, which have jumped from £208,547 to £4,358,125. Stocks are also substantially higher at £4,742,680 against £3,816,993. The increases in debtors and creditors reflect the rise in turnover as does the rise in net loans to subsidiaries and associates from £28,106 to £115,069. The position is entirely satisfactory, and the market price of 32s. 6d. ex dividend for the £1 ordinary stock, yielding £3 13s. 10d. per cent, discounts a further recovery.

Electric Cable Results

The preliminary statements of two of the leading electric cable manufacturers, *Callender's Cable* and *W. T. Henley's Telegraph*, contain a broad hint that total profits of both concerns have substantially increased. In the case of *Callender's Cable*, no profit figures are supplied for 1942, but the directors, unexpectedly, announce the distribution of a 5 per cent cash bonus in addition to the customary 15 per cent dividend. Only twice in the past decade, in 1936 and 1937, has a 20 per cent payment been distributed. In those years, equity earnings reached records for the decade of 39.9 and 40.5 per cent. In 1941, however, equity earnings declined for the third year in succession to 30.8 per cent. The directors then pointed out that the set-back was due to higher costs and that there had actually been an increase in turnover. It must be hoped that turnover has continued to increase and that costs have fallen to a level justifying the distribution of the bonus. The preliminary statement of *W. T. Henley's Telegraph* for the same period shows only a small rise in net profits from £326,379 to £331,379, a level still below that of the three years 1937-39. Equity earnings of £322,379 against £317,379,

represent a rate of 29.6 against 28.8 per cent. There is no increase in the ordinary dividend, maintained at 20 per cent for the sixth year in succession, and £62,379 remains for transfer to reserves or addition to the carry forward. In the circumstances, it is highly probable that war contingencies will receive £50,000 as in the two previous years. It is not surprising that these two concerns, in line with the rest of the electrical equipment industry, have realised higher distributable earnings. The industry appears to be financing expansion out of its own resources, with benefit to EPT standards and earnings. The £1 ordinary stock of *Callender's Cable* rose 13s. 6d. to 95s., at which it yields £4 5s. 7d.; the 5s. *Henley's* ordinary at 25s. yields £4 1s. 3d.

BET Accounts

The first full accounts of British Electric Traction to be issued since the divorce from the Thomas Tilling interests show a modest decline in gross income for the year to March 31st last from £767,588 to £760,293. Since the prolonged negotiations with the Inland Revenue authorities have resulted in a decision that the company is not, now or retrospectively, liable for EPT, tax provision amounts to only £51,553 against £105,750. With other charges virtually stable, there is a surplus for equity of £406,273 against £364,271, and the 45 per cent ordinary payment is covered by earnings of 57.7 against 47.1 per cent. Thus, there is £50,434 against £8,434 to add to undivided profits which, after inclusion of £170,000, formerly provided for EPT but not now required, are raised to £2,204,247. The effect of the reconstruction on the company's assets has been slightly to raise the balance sheet valuation of total investments from £6,805,447 to £6,844,170. Of these, a rather higher proportion is held in the form of investments in subsidiaries, while outside investments, at cost or under, are reduced from £3,794,382 to £2,666,707. It is unfortunate that no market valuation of these holdings is provided. For the rest, the only significant change is the drop in creditors and tax provision from £213,908 to £41,050, for which the reabsorption of the EPT transfer is mainly responsible. The financial position is strong. The influence of the separation of interests from the Tilling group cannot yet be estimated, since in the latest accounts it is overshadowed by the effect of the EPT decision. The £100 deferred stock, at £1,085, yields £4 2s. 11d. per cent.

"Shell" Dividend

The preliminary statement of "Shell" Transport and Trading for 1942 shows a small decline in net profits from £2,314,028 to £2,306,908. After meeting preference payments, there is £1,506,908 against £1,514,028 for the equity, representing some 5.2 per cent free of tax as before. The directors have again repeated the 5 per cent tax free ordinary dividend distributed each year since 1939, so that there appears to be £59,626 against £66,746 for addition to the carry forward—in which case it will amount to £646,166. There has been no evidence of an important change in the supplies available to the group in 1942, and it was not to be expected that there would be more than a minor fluctuation in net income. Demand for the products of the group have continued to expand, but no substantial rise in profits can be expected, while oil wells and installations are in the hands of the enemy and normal trade

Interest paid half-yearly
Income Tax not deducted at source

3% SAVINGS BONDS
1960-70
POST OFFICE & TRUSTEE SAVINGS
BANK ISSUE

Issued by the National Savings Committee

demand is strictly controlled. The progress of development in the Americas, and in particular in Colombia, will be watched with interest. The £1 ordinary at 66s. 3d. ex dividend yields no more than £1 10s. 2d. per cent tax free. This low level implies a belief that reconquest will come soon, and confidence that, whatever may be the fate of oil refining in this country, the worldwide interests of the group will ensure its post-war prosperity.

Siemens Expansion

No true comparison is possible between the figures of total earnings after tax, other than tax on dividends, disclosed by the accounts of Siemens Brothers for 1942 at £460,168 and the total of £477,669 earned in 1941, since the former figure is struck after the transfer of an undisclosed sum to stock reserve. Depreciation requires £95,858 against £89,578, but a reduction by some £34,000 to £108,502 in special wartime expenses raises the distributable profit by some £11,000 to £252,140. After meeting the preference payment, which requires £55,000 gross, the earnings cover for the ordinary dividend, unchanged for the eighth successive year at 7½ per cent, is slightly higher at £197,140 against £186,019, equal to 8.6 against 7.7 per cent.

Industry and Trade

Post-War Building

On Wednesday, last week, Lord Portal, Minister of Works, amplified in the House of Lords the scheme for the training of building labour after the war, outlined in a White Paper (Cmd. 6428), and discussed in *The Economist* on March 6th and March 13th. It was stated in the White Paper that, on the basis of the facts then available, a post-war construction programme designed for ten to twelve years would require the industry's labour force to be built up to about 1,250,000 men; no details were given of the nature of the programme or of its relation to the total sources of capital investment. Lord Portal's statement gave the impression that the estimate of the size of the labour force was somewhat tentative at the time of publication last February. On the basis of the target figure this, in the Minister's words, is how the problem was approached:

If we have 1,250,000 men who are to be allocated to the building trade after the war, it is imperative for us to see that there is work for them to do. During the last three months, we have obtained from nine Government departments their programmes, and we have put the work on a twelve-year basis. We are already able, from the first survey which we have made, to say that we have balanced the figures of men employed with the programme over the first twelve years, so that now all we have to do is to go on breaking that programme down. We can already see that work is available for the first twelve years, as suggested in the White Paper.

In other words, the Ministry has named a measure of cloth, and is now fitting its coat accordingly, without knowing whether there will be enough cloth left for other coats. This is not to disparage the Ministry's empirical approach to the problem of post-war building. Any plan of this kind must necessarily have a tentative beginning; but it can only be given more definite shape in the context of other plans for capital expenditure. Lord Portal drew attention to one serious problem, namely, the enormous rise in building costs since the beginning of the war, amounting to no less than 105 per cent. He emphasised that costs will have to be brought down after the war, since "high costs of building will kill building." He saw the solution in working at greater speed with different methods, and, by the appointment of a Controller of Experimental Building Development, he has already taken steps to secure an improvement in the efficiency of the building industry.

50-Year Plan for Forestry

As in the last war Great Britain's forests have again proved to be a valuable reserve of timber whose utilisation is one of the most important means of saving shipping space. In the years before the war only 4 per cent of the timber consumed was home-grown; since 1939 home-grown material has been extensively substituted for imported timber, though no statistics are available to show the extent of substitution and of the depletion of forests this policy has involved. The need for building up an adequate reserve

The surplus of some £13,000 raises the carry forward to £413,010. The balance-sheet throws a little more light on the past year's activities. A net bank overdraft of £267,253 has been replaced by a cash holding of £118,869 and £100,000 in tax reserve certificates. Stocks are some £225,000 greater at £2,144,624, despite the writing down out of profits, a reflection, in part, of higher prices. The decrease in debtors by over £320,000 to £1,120,166 is explained by the chairman, Lord Queenborough, as the result of the settlement of certain large outstanding payments. Trade creditors are reduced some £62,000 to £402,851, and in consequence net liquid assets, excluding trade and other investments of £626,110, have risen by virtually £460,000 to £2,475,393. The parent's net liability to the subsidiaries on current account has been practically quadrupled at £305,062. A pointer to the present rate of output in the company, and in the industry as a whole, is the chairman's statement that the plant has been written down by more than the sum set aside for depreciation in the profit and loss account, a further indication of the little value attaching to that statement. There is an addition to war contingencies reserve of £140,000, bringing the fund up to £830,000, including £50,000, formerly held for ARP reserve. The £1 ordinary stock, quoted at 29s. 6d. ex-dividend, offers the useful yield of £5 1s. 9d. per cent.

of standing timber was recognised after the last war, and in 1919 a forest authority, the Forestry Commission, was set up. But the activities of the Commission have been limited by the financial resources available to it, though it has been able to acquire 714,000 acres of plantable land, of which 434,000 acres were under woodland by the end of 1939. The progress of private forestry has been disappointing. The inadequacy of the prewar preparations has prompted the Forestry Commission in its report on Postwar Forest Policy (Cmd. 6447) to urge for "speedy and large-scale action" after the war. Conditions, in its view, are suitable for the rapid growth of timber, and sufficient land is available. The report suggests a forest acreage of 5 million acres—2 millions from existing woodlands and 3 millions by the afforestation of bare ground—to be attained during a period of 50 years. The net outlay for a "desirable programme" of planting 1,100,000 acres in the first decade is estimated at £41.2 million, compared with a net outlay of £13.8 million on a corresponding prewar basis. Forestry, no doubt, was neglected before the war and the report of the Commission would seem to deserve careful examination in conjunction with other postwar plans.

Another Salvage Drive

The inauguration of a salvage drive in London last Saturday, with stirring marches played by the Welsh Guards and the Customary display at Trafalgar Square, once more emphasised the need for conserving every ounce of useful material during this critical year of the war. Lord Portal gave some interesting examples of the important contribution made by the collection of scrap and waste to the supply of raw materials. Thus, waste paper now provides no less than 60 per cent of the materials used in the manufacture of paper. Since the outbreak of war 3,000,000 tons have been collected—enough to fill 370 ships of 5,000 tons each. Again, iron and steel scrap is being collected at the rate of 110,000 tons a week, or 5,720,000 tons a year. But salvage of paper, metals, rubber, textiles, bones and the rest is only one aspect in the conservation of scarce materials. The other is the need for utilising them as effectively as possible, for substituting the scarce for the less scarce materials if they can be made to serve the purpose, for making a given quantity of, say, copper, go further. Much has, in fact, been done to eke out scarce materials by substitution and by changes in specifications. But even the smallest economy which is still possible should not be neglected.

Fuel Efficiency Campaign

A great deal has been heard in praise of domestic consumers who have voluntarily restricted their fuel consumption; it is satisfactory to learn that good results have also been achieved by industrial users, whose quantitative

contribution to the nation's economies is considerably more important. The Ministry of Fuel's Fuel Efficiency Committee, under the chairmanship of Dr. E. C. Grumell, has now been in existence for eighteen months, and, though the total savings cannot be measured, the Committee's information is that substantial economies, greater than were originally expected, have been realised. The success of the fuel-saving campaign depends on getting industrial managements to realise the urgent need for economy, on securing the co-operation of factory operatives and boilerhouse staff, and on mobilising the industry's technical experts. The efficiency conference held in London last month is being followed by similar conferences in provincial centres, and last winter's courses of instruction for boilerhouse operatives, with lectures and films, which were attended by about 10,000 people, are to be continued this year. In spite of the shortage of engineers trained in fuel technology, 650 technicians have volunteered to serve on the Ministry's regional panels. Last winter they visited over 11,000 factories consuming nearly 29 million tons of coal a year, and estimated that the savings made amounted to between 8 and 12 per cent on the average. One firm, manufacturing motors and aircraft, reported a saving in one factory of 4,282 tons in twelve months and in another of 988 tons. The Committee considers that the greatest scope for further economies now lies in saving on the process side, and organisations are being set up to give expert advice on the utilisation of steam and on furnace design. It is difficult to

tell how much these savings are the result of the correction of past extravagances or of the introduction of more efficient methods of generation and consumption, but there is no doubt that the drive for more efficient utilisation of fuel in industry is important, not only for its immediate bearing on the coal situation, but for the future of the industry. The present over-all efficiency of conversion is of the order of 30 per cent, and the Parliamentary Scientific Committee estimated in its recent report on fuel utilisation that this proportion could be greatly increased.

Women in Shipbuilding

Shipbuilding has traditionally been regarded as a man's occupation, and before the war practically the whole of the industry's labour force consisted of men, women's employment being limited to cleaning and clerical work. Tradition has died harder in shipbuilding than in newer industries, such as aircraft production, and the need for accelerating the rate of dilution at this critical stage of the war is emphasised in a letter which has been sent to all concerned in the industry by the Minister of Labour and the First Lord of the Admiralty. "Shipbuilding is one of the most vital forms of production for the successful prosecution of the war," they write. "It is essential that more and more women should be employed on all forms of work of which they are capable." To encourage employers to take on more

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1
Manchester Branch: 52, MOSLEY STREET
New York Agency: 65, BROADWAY, NEW YORK CITY

LLOYDS BANK LIMITED



*For every class
of
Banking Business*

Head Office: 71 Lombard Street, London, E.C.3

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000
ASSETS EXCEED - £81,000,000
CLAIMS PAID EXCEED - £147,000,000
(1942 Accounts.)

ACCUMULATED ASSETS
at 31st March, 1942,
£59,317,186

Established over 80 years

**BANK of
NEW ZEALAND**
Incorporated with limited liability in New Zealand

Represented at over 200 points
in New Zealand and at Melbourne,
Victoria; Sydney, New South Wales;
Suva, Fiji; Apia, Samoa.

LONDON OFFICE:
1 Queen Victoria St. E.C.4
John Forbes, Manager.

Head Office: WELLINGTON, N.Z.
H.R.H. Chalmers, General Manager.

QUALIFIED STATISTICIAN required by the Export Group representing the Wool Textile Industry. Preference will be given to candidates of British birth with a University Degree. Apply Export Group, Commerce House, Bradford, Yorkshire.

DUTTON ONE - WEEK SHORTHAND is learnt in twelve 2-hour postal lessons. Send 3d. in stamps for first lesson to E.C., 92, Gt. Russell Street, London, W.C.1.

THE CUNARD STEAM SHIP COMPANY LIMITED

FIVE PER CENT. CUMULATIVE PREFERENCE STOCK.
SIX PER CENT. SECOND CUMULATIVE PREFERENCE STOCK.

NOTICE IS HEREBY GIVEN that the Transfer Registers in respect of the above stocks will be closed from 16th to 22nd June, 1943, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending 30th June, 1943, to be paid on 1st July, 1943.

By Order of the Board,

H. J. FLEWITT, Secretary.

Offices: Cunard Building, Liverpool. 10th June, 1943.

AVELING-BARFORD LIMITED

At a Meeting of the Board of Directors held on Tuesday, 8th June, 1943, the following Resolutions were passed:—

It was resolved that dividend be paid on the 1st July, 1943, on the 175,000 Cumulative Preference Shares of £1 each at the rate of 5½ per cent. per annum for the six months from the 1st January, 1943, to the 30th June, 1943.

It was resolved that the Preference Share Transfer books of the Company be closed from the 17th June to the 30th June, 1943, inclusive.

By Order of the Board,

E. ODDS, Secretary.

Grantham, 8th June, 1943.

women, the Ministry of Labour has issued an illustrated booklet, "Women in Shipbuilding," showing jobs where women have replaced men and the type of work for which they are suited. Except for a few highly skilled occupations, needing years of training, women can be employed at any work that is within their physical strength. In some yards, they are engaged not only in the fitting and mechanics departments, but in the electrical shop, drawing office, blacksmiths' and boiler shops, in the foundry, and on carpentry, riveting, plating and welding. They are best at welding, electric wiring and painting. It is an interesting psychological point that, though they do very well on all-women gangs, they are not happy in mixed gangs, where the men sometimes tend to use them as assistants or labourers. The pamphlet properly emphasises the importance of welfare and training, and brings out many of the same points that were made in an article on women in engineering in *The Economist* of May 29th. Government training centres organise special courses for shipbuilding, but in this industry, more perhaps than in any other, adequate "training on the job," as well as pre-training, is essential. Several interesting examples are quoted in the pamphlet. In one firm making tank-landing craft in Scotland, two-thirds of the labour force are women. A north-western yard proposes to take on 165 unskilled women to meet its new labour requirements and to upgrade the women it now employs to more responsible positions. Unfortunately, no figure is available for the proportion of females to males in the industry as a whole. But the existing evidence suggests that it is far too small, and it is to be hoped that the Ministry of Labour's pamphlet will have the desired effect in stimulating the recruitment of women.

Trade Disputes

There was a slight increase in the number of trade disputes between 1941 and 1942, from 1,251 affecting 360,000 workpeople to 1,303 involving 456,000 workers, but a more marked rise in the number of working days lost. More workers were affected indirectly last year than in 1941, and there was an increased number of strikes in coal-mining and engineering. The former accounted for two-fifths of all the stoppages and more than half the working days lost; while engineering, shipbuilding and other metal industries between them accounted for nearly two-fifths of the total number of stoppages and for about a third of the number of days lost. The Tyneside strike last October resulted in the loss of an aggregate number of working days of 135,000, while 120,000 working days were lost in a stoppage in Belfast over the dismissal of two shop stewards. Wage questions accounted for 62.3 per cent of all the disputes. Over half of the total were settled by direct negotiation, 36.1 per cent by the men returning to work on the employers' terms without negotiation and only 1.8 per cent by arbitration. The accompanying table gives the course of trade disputes over the last seven years, as compared with the period 1913-1919.

Year	Number of Working Days Lost	Year	Number of Working Days Lost
1913	9,800,000	1936	1,830,000
1914	9,880,000	1937	3,410,000
1915	2,950,000	1938	1,330,000
1916	2,450,000	1939	1,360,000
1917	5,650,000	1940	940,000
1918	5,880,000	1941	1,080,000
1919	34,970,000	1942	1,530,000

The main reasons for the relatively few disputes during the present war are probably the success in stabilising the cost of living, the high level of earnings in industry as a whole, and improved industrial relations. The first six months of 1943, however, indicate a certain growth of industrial unrest, taking the form of sporadic strikes, such as those among engineers and bus workers in connection with wages.

Industrial Diamonds

At the annual meeting of De Beers Consolidated Mines on May 28th, Sir Ernest Oppenheimer pointed out that after the war the industrial diamond, whose use, especially as an abrasive, has been greatly extended during the war, will be looked upon as a normal part of the equipment of any modern engineering, industrial or mining enterprise. Last year he suggested that in future crushing board, the lowest and at the same time by far the largest class of industrial diamonds, should no longer be measured in carats (five

carats are roughly equivalent to one gramme), but in kilogrammes. This proposal has found the support of all producers and has now been approved by the British and United States Governments. In future, therefore, there will be two sets of diamond production figures, one for gem diamonds and the better grades of industrials, measured in carats, and the other for crushing board measured in kilogrammes. There are indications that the present classifications of industrial diamonds may also be revised. The United States War Production Board, supported by the War Metallurgy Committee of the US National Academy of Sciences, has begun a scientific investigation to ensure the most effective possible use of industrial diamonds in war industries and to consider how their useful life may be prolonged. Announcing this investigation, Dr C. K. Leith, Chief of the WPB Metals and Minerals Branch, pointed out that "results to date show that current classification of industrial diamonds may not always accurately reflect the usefulness of a given stone, at least as far as wheel dressing is concerned, and that selected stones from categories now classed as inferior may be used as acceptable substitute material for some important purposes." In view of the extensive demand for diamonds for war purposes, some classes of stones are no longer readily available; it has therefore become necessary to bring the present standards of classification more into line with current needs.

Typewriters

Since May 13th, when the Supply of Typewriters (Restriction) Order (S.R. & O., 1943, No. 676) came into force, the sale or hire of typewriters (except second-hand portable machines weighing less than 22 lb.) has been controlled. Licences issued by the Board of Trade's Directorate of Office Machinery are required for the acquisition or disposal of all typewriters, and none may be broken up without permission. Dealers may obtain a general permit to acquire machines, but anyone wishing to dispose of a typewriter to such a dealer must also obtain a licence, and the dealer must have a licence for individual sales. In view of the relative shortage of typewriters these control measures are logical. There have been no imports of typewriters for nearly three years; normally imports accounted for nearly 60 per cent of typewriter sales. In addition, home production has been considerably reduced, and nearly eight out of every ten new typewriters have been acquired for Government use. The demand of the Civil Service and factories has increased since the war, and every unit of the Services needs typewriters. To ease the shortage, both of typewriters and typists, much work that would otherwise have been done on machines is done by hand. Prices of new and second-hand typewriters have been controlled by the Price of Goods Act, 1939, and the Goods and Services (Price Control) Act, 1941. In many homes, and even in some firms, there are typewriters which are not being used to capacity. These form a stock which could be drawn upon if they were needed for more essential use.

Clothing Sales

The level of spending on apparel during April was considerably higher than for some time. According to the index numbers of the average value of daily sales (1937=100) published in the *Board of Trade Journal* for June 5th, sales were 32 per cent higher than in March, and 27 per cent above the average for the twelve months ending in March. Sales generally go up and down according to the coupon periods. That is to say they are high when a new block of coupons becomes valid, and tail off until the next issue. Seasonal factors, although they do not influence sales as strongly as they did in peacetime, nonetheless play their part. A certain amount of buying "for Easter" is apparent in the figures for April. More is being spent per coupon than a year ago, in spite of the large quantities of utility clothing now on the market. The amount spent per coupon was ten per cent higher last April than in April, 1942, which suggests buying for "quality" rather than price. The clothing component of the Ministry of Labour's cost of living index dropped by nearly 13 per cent between May, 1942, and May, 1943, but only cheaper clothing is included in it. As stocks of higher priced clothing are now small, and those of utility clothing reach saturation point (90 per cent of clothing stocks should eventually be utility) the amount spent per coupon should decline.

COMPANY MEETINGS

GUARDIAN ASSURANCE COMPANY, LIMITED

COLONEL LIONEL H. HANBURY'S REVIEW

The annual general meeting of the Guardian Assurance Company, Limited, was held, on the 7th instant, in London, Colonel Lionel H. Hanbury, C.M.G., the chairman, presiding.

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

LIFE DEPARTMENT

The increase of over £767,000, as compared with the previous year, in the net new sums assured is due to our participation with two other companies in several staff assurance schemes. Owing to deaths caused by enemy action there was a small loss of £2,000 from mortality as measured by the A. 1924-29 Mortality Tables.

The net rate of interest on the life fund, including the investment reserve fund of £222,500, but excluding the amount invested in reversions, was £3 4s. 8d. per cent. On the recommendation of the actuary it has been decided to pay interim bonuses in respect of policies becoming claims by death or maturity during 1943 at the same rates as those payable in the previous year.

FIRE DEPARTMENT

The reduction in our overseas business, due principally to enemy occupation of territories in the Far East, has been more than offset by the gain in home business, and the total revenue increased in the year by £30,000. The loss ratio for the year was 43.4 per cent. of the premiums, and the commission and expenses of management together equalled 45.7 per cent. After providing the reserve for unexpired risks, calculated on our usual basis of 50 per cent. of the premiums, the amount transferred to profit and loss is £91,514, equal to 9.3 per cent. of the premium income.

ACCIDENT AND GENERAL

The fall in premium income of some £46,000 is due to the further restriction in the use of motor vehicles and to rebates of premium in connection with employers' liability business. The loss ratio for the year was 42.6 per cent., and the ratio of commission and expenses to premium income 44.8 per cent. By reason of the reduction in revenue during the year there has been a release of reserves for unexpired risks of £20,785, and the sum of £106,742 has been transferred to profit and loss account, equal to 15½ per cent. of the premium income.

MARINE BUSINESS

Marine business has been adversely affected by the entry of Japan into the war. Whilst the premium income shows a substantial increase of £200,000 the first year's settlements have been on a much heavier scale than usual owing to losses on American business in the earlier part of the year. The 1941 account, which was closed at the end of 1942, proved to be very satisfactory, but in view of the heavy taxation we are only transferring £5,000 to profit and loss.

PROFIT AND LOSS ACCOUNT

After providing for the final dividend of 6s. per share (making 11s. for the year) proposed to be paid, the balance of profit to be carried forward in profit and loss is £190,000, compared with £143,000 at the end of the previous year.

At December 31st last there was an appreciation in Stock Exchange securities in the life and general accounts over the values at which they appear in the balance-sheet of nearly £1,000,000, and in addition there is an investment reserve fund in the life account of £222,500.

The report and accounts were adopted.

F. FRANCIS AND SONS, LIMITED

INCREASED NET PROFIT

The forty-second ordinary general meeting of F. Francis and Sons, Limited, was held, on the 4th instant, in London.

Mr John Ismay (chairman of the company), who presided, said: The net profit for 1942 at £67,100 shows an increase of approximately £3,300, but of this increase we have had to reserve an additional £2,000 for taxation. However, I am pleased to say that, subject to the approval of this meeting, after payment of a final dividend of 10 per cent., making 14 per cent. for 1942, we have been able to increase the carry forward from £21,702 to £24,177.

Your board considers adequate provision has been made at all times for taxation and depreciation, and all liabilities in respect of War Damage Contribution and War Risks Insurance have been provided for before arriving at the net profit figure.

You will observe from the consolidated statement that the balance of current assets over current liabilities is increased by £7,260 to £119,983. Although not affecting the accounts for the period under review, I would like to refer briefly to the issue of 50,000 5½ per cent. cumulative preference shares which were recently offered to shareholders, and to say that the response received resulted in a heavy over-subscription, which was very gratifying. The money, as explained in the circular at the time of the issue, was required to finance the purchase of additional plant and machinery and to defray the cost of essential alterations to factory premises and reorganisation generally, and I feel certain the employment of this additional capital will prove most advantageous.

The report and accounts were unanimously adopted, and the proceedings terminated with a vote of thanks to the chairman, directors and staff.

ODHAMS PRESS LIMITED

INCREASED NET PROFITS

The twenty-third annual general meeting of Odhams Press Limited was held, on the 10th instant, in London.

The Rt. Hon. Lord Southwood of Fernhurst (chairman and managing director) said that the net profits for the year under review amounted to £698,428, an increase of approximately £86,983 over the previous year. He was sure that shareholders would consider that satisfactory. (Hear, hear.) The general reserve now stood at £680,000. It was proposed to transfer to it out of profits of the year under review a further £60,000, which would bring it up to £740,000, approximately sufficient to cover the whole of the book values of copyrights and leases of advertising sites. The directors recommended a dividend on the ordinary shares of 12½ per cent.

All the newspapers and publications owned or controlled by the company had maintained their popularity. Indeed, owing to the paper restrictions it had not been possible to make the supplies meet the demands of the public. For a similar reason they had also had severely to ration advertising space and the company was greatly indebted to their advertising clients for having accepted those restrictions in the friendliest spirit, realising that they had done their utmost to meet their wishes.

There had, of course, during the past year been many difficulties to overcome. He was glad to be able to say that the purchase of newsprint on a co-operative basis through the Newsprint Supply Company had worked extremely satisfactorily. In addition to the difficulties of supplies, they had also had to deal with the continued heavy demands by the Government for man-power. As to the future, he would not dare to make any forecast, but he was glad to say that so far this year the company's trading was being well maintained.

The report was unanimously adopted.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

Established 1836

EXTRACT FROM REPORT AND ACCOUNTS FOR THE YEAR 1942

"At the Annual General Meeting held on 8th June, the Chairman, Mr. Ernest E. Bird, gave the following details from the Report,"

	1942	1941
New Life Policies Issued	12,996	12,097
Net New Life Sums Assured	£11,311,583	£10,133,159
New Deferred Annuities Effected	£741,612 per annum	£694,873 per annum
Consideration for Immediate Annuities	£525,363	£401,519
Net Life Premium Income	£6,060,875	£5,487,374
Life Expense Ratio	9.70%	11.11%
Total Net Fire and Accident Premiums	£631,073	£601,640
Total Amount paid in British Taxation	£369,070	£264,300

ASSETS EXCEED £62,000,000

CHIEF ADMINISTRATION, ALDWYCH HOUSE, LONDON, W.C.2
General Manager: Vernon E. Boys

DUNLOP RUBBER COMPANY, LIMITED

DIVIDEND MAINTAINED ON REDUCED PROFITS

SIR J. GEORGE BEHARRELL'S STATEMENT

The forty-fourth annual general meeting of the Dunlop Rubber Company, Limited, was held, on the 9th instant, in London.

Sir J. George Beharrell, D.S.O., presided. The following is an extract from the chairman's statement circulated with the report and accounts:—

Last year I told you that the amount of business which we would be able to do would depend on the amount of rubber available and that it seemed as though we must be prepared for a substantial reduction in sales. I am glad to be able to tell you now that the volume of our business has not been affected to the extent then anticipated, although both in this country and overseas it has been subjected to drastic readjustments to meet the situation. In this country we have had to close down in whole or in part some branches of our business which used to return a good profit, but other branches have expanded and we have been able to undertake some quite new types of manufacture of vital importance to the war effort.

EXPORT POSITION

A scheme was devised for the control of exports, in the form of market quotas, based on essential requirements and their satisfaction, where possible, from the nearest manufacturing source of supply. This action has necessarily excluded the British exporter from certain market areas and, in our case, has naturally brought about a sharp fall in turnover of exports from this country. Nevertheless, in spite of this, I am pleased to say that profits earned on the reduced turnover compare favourably with previous years.

The manufacturing companies in India and South Africa have continued to be fully occupied and have played a great part in meeting entirely new demands. Despite many new problems arising out of war conditions, both companies have shown a substantial return, and their combined sales and profits again show a record.

The volume of business of the American and Canadian manufacturing companies fell substantially during the year, but satisfactory profits were earned in each case.

The Irish company naturally suffered from a shortage of raw materials and the severe restriction on the use of petrol, but I am glad to say a fair profit was earned, and the factory looks like being reasonably employed during 1943.

THE ACCOUNTS

The net profit for the year amounted to £2,433,000, compared with £3,186,000 last year. The decline in profits is due to a curtailment of business owing to regulations and also to the lower margin of profit on the greatly increased proportion of business for the Allied Governments. The provision for United Kingdom excess profits tax this year is estimated at £827,000, which brings the total provision made in the parent company for United Kingdom excess profits tax, up to December 31, 1942, to £4,294,000, and for the Dunlop group of companies to £5,923,000.

The board has again allocated to contingencies reserve the sum of £100,000. After making these appropriations and providing for the preference dividends, a dividend on the ordinary stock of 8 per cent. is recommended, and, if approved, will be paid on July 1, 1943.

The aggregate profits of the parent company and all subsidiaries for 1942 amount to £4,472,000, against £5,185,000 last year. The provisions by the subsidiaries for income-tax and excess profits tax, both British and foreign, are £1,534,000, bring-

ing the total provision of the group as a whole for 1942 to £3,322,000.

The consolidated statement of assets and liabilities is submitted on the modified lines adopted last year. This year, however, the position has improved, since there is an increase to £1,129,000 in the surplus funds of the subsidiaries and associated companies in enemy and enemy-occupied territories deposited in England and the U.S.A. After deducting these surplus funds the net investment is £4,138,000—a decrease of £436,000 on last year. On the other hand, aggregate surplus and reserves have increased by £581,000, to a total of £7,903,000. While we still cannot move funds freely from one country to another, the increase in immediate liquid resources of the group as a whole is very satisfactory, the total amount in securities, tax certificates and bank balances being £6,427,000, compared with £5,249,000 last year.

IMPORTANCE OF ECONOMY

Turning now to the general position of the industry, the need for strictest economy in the usage of rubber is apparent, and your board will continue to co-operate with the Government in all measures to this end. Assistance has been given to other manufacturers in order to increase the supply of products which are urgently required. In these and other ways the company's technical resources have been of great value to the nation.

So far as supplies of materials are concerned, your company has received its fair share, and I am sure that its staff has made the best use, both in production and distribution, of what has been allotted to it.

We have benefited greatly in these difficult times by the excellent relations which prevail between our employees and the management. In December, 1942, the joint factory council at Fort Dunlop, which was the first of all the joint councils in our factories, celebrated its twenty-first birthday. These councils continue to form an important link between management and operatives—especially in matters of a domestic or local character—and enable many problems arising from war conditions to be dealt with satisfactorily.

LABOUR AND WAR REQUIREMENTS

In the early part of 1942 the rubber situation made it necessary to release a proportion of the labour force and to transfer many of the retained employees to other work in the factories. The conditions leading to this were fully appreciated by the workers' representatives, and many difficult adjustments were greatly facilitated by the assistance which they gave. Both then and since, all employed in the factories have worked under a terrific strain and the administrative staffs, with numbers greatly depleted by the demands of National Service, have had to bear heavy additional burdens, including the large volume of paper work which systems of control and other war conditions inevitably entail. All these burdens have been shouldered cheerfully and loyally.

THE OUTLOOK: REASONED OPTIMISM

I cannot close this statement without a reference to the more hopeful world outlook which presents itself this year. The current year should see us nearer to the temporary solution of the rubber problem through the increase of supplies of the synthetic material from America. I feel, therefore, that, although there must be no premature optimism and no relaxation of effort, we can all look forward to the future with confidence.

The report and accounts were adopted.

ASSOCIATED NEWSPAPERS, LIMITED

LORD ROTHERMERE'S SPEECH

The thirty-eighth annual ordinary general meeting of Associated Newspapers, Limited (proprietors of the *Daily Mail*, the *London Evening News*, and the *Sunday Dispatch*), was held, on the 9th instant, in the Memorial Hall, Farringdon Street, London, E.C.

The Viscount Rothermere, the chairman, presided.

The following is the statement by the chairman, which was circulated with the report and accounts, and was taken as read:—

SUBSTANTIAL PROFIT

In the accounts for the past year we are very pleased to be able to record the very substantial profit of £567,124, and the balance-sheet shows that the financial position of your company is very strong indeed, despite the many difficulties with which our industry is contending.

You will see that we have increased the company's holdings of War Loan to £1,050,000, and we have also tax reserve certificates amounting to £400,000 as a provision for tax liabilities. In addition, a further sum of £50,000 has been transferred to reserve for contingencies in the appropriation account. Full reserves for investment, newsprint, taxation, and other contingencies having been made, the directors recommend with confidence the final dividend on the deferred shares of 12½ per cent., making a total for the year of 17½ per cent.

The net sales of the *Daily Mail*, *Evening News*, and *Sunday Dispatch* have been maintained at the maximum possible with the amount of newsprint available. In fact, it becomes increasingly difficult to ration the available copies of our newspapers fairly among our readers.

PRESTIGE OF THE "DAILY MAIL"

The prestige of the *Daily Mail* in advertising circles stands as high as ever.

The allocation of advertisement space continues to receive the closest attention, and after Government requirements have been met first considerations are for our regular pre-war advertisers.

The reduced amount of advertising space in our small-size newspapers has been carefully rationed and a general reduction made in the sizes of advertisements, which enables us to accommodate the largest possible number of individual advertisers per issue.

It is gratifying to note that we have, as usual, had the wholehearted co-operation of advertisers and their agents.

As is only to be expected, the *Evening News*, with the largest sale of any evening newspaper in the world, provided similar problems connected with advertisement space.

The *Sunday Dispatch* also provides solid grounds for satisfaction. Its appeal to the public and its importance as an advertising medium are greater today than ever.

Demands for space for Government purposes are particularly heavy in the *Sunday Dispatch*, and in some issues has represented as much as 40 per cent. of the total space available.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY

It is my custom to make some reference to the Anglo-Newfoundland Development Company, whose report and accounts will be issued shortly. The Anglo-Newfoundland Development Company is largely dependent upon the vital question of shipping, and it is unnecessary for me to enlarge upon the difficulties facing the

company, which, up to the outbreak of war, had sold practically its entire output of newsprint in this country for the production of our newspapers. The severe rationing of newsprint supplies to the newspapers over here—now less than 20 per cent. of pre-war—has also made it necessary for the Newfoundland mills to seek markets elsewhere. Whilst the Anglo Company is fully equipped in every way to stand a lean period, it would appear that it must continue to face a difficult time pending the return to normal conditions.

NEWSPRINT SUPPLIES

During the year our main problem has once again been our supplies of newsprint. However, with the excellent arrangements made by the Newsprint Supply Company and the helpful co-operation of Government departments, who have shown a full understanding of the necessity of maintaining a free and widely distributed press, we have come through the year with only a small further reduction in consumption, although our stocks are lower than was the case a year ago. I am hopeful, however, that we shall be able to continue on our present basis and that the next alteration in our consumption of newsprint will be an increase, bringing increased sales and bigger newspapers.

In the tremendous events that are before us, following the complete and magnificent victory of the Allied Forces in North Africa, our newspapers will continue to play their part in the certain knowledge that final victory will be ours.

We have now 1,348 members of our staffs serving with the Forces, and it is with keen satisfaction that we have found it possible to continue our scheme of salary allowances, which I know, from the many letters received, has helped in making their position and that of their families so much easier.

To my colleagues on the board—all working directors—my grateful thanks, and also to the staff and all those associated with us in the ramifications of our business.

The report and accounts were adopted, the retiring directors were re-elected, and the auditors, Messrs Lever Honeymann and Company, were reappointed.

The proceedings terminated with a vote of thanks to the chairman and directors.

MARKS AND SPENCER, LIMITED

DIVIDEND OF 35 PER CENT.

MR SIMON MARKS'S STATEMENT

The seventeenth ordinary general meeting of Marks and Spencer, Limited, was held, on the 10th instant, at Michael House, 82 Baker Street, London, W.

Mr Simon Marks, D.Sc. (chairman and managing director), presided.

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

Our accounts are presented in a revised form. The assets and the liabilities have been grouped under main headings, and the figures have been taken to the nearest pound. The necessary adjustments of the previous year's figures have been made for the purposes of comparison.

ALLOCATION OF PROFITS

The net profit for the year is £1,457,467, compared with £1,583,088 last year. The provision for taxation at £863,000 compares with £895,486 last year. The dividends are now shown after deduction of tax. The balance remaining this year, plus £571,940 brought forward from last year, makes a total available for distribution of £1,166,407, against £1,034,132 last year.

The profits have been arrived at after making the usual provisions for depreciation, and a reserve for deferred repairs, and after writing off all capital expenditure in connection with A.R.P. works.

The directors proposed a final dividend of 20 per cent., making 35 per cent. for the year, which will leave an increased carry-forward of £704,015.

RESERVES AND SURPLUS

The reserves and surplus have all been brought together and total £3,881,391.

CURRENT LIABILITIES

The fall in creditors and accrued charges to £571,110 is accounted for mainly by a reduction of the amount due for purchase tax, which no longer applies to the greater part of our merchandise. The deferred repairs reserve is a provision for repairs at the stores which will have to be carried out as soon as opportunity offers.

ASSETS

The only notable change is the reduction in advances to subsidiary companies from £478,551 to £91,035. This reduction is due in the main to the decreased scale of business carried on by the Marks and Spencer Export Corporation, owing to the restrictions of exports.

GENERAL SURVEY

The scope of retail distribution is governed by the number of coupons and points available to the public. The limitation of supplies and of spending power represented by coupons and points has caused a contraction of retail business. The activities of your company have accordingly been affected, and this process may be expected to affect them still more in the current year.

Within the framework of the production of utility garments, the specifications for which are laid down by the Board of Trade, there is a certain amount of freedom for the exercise of initiative. We are, therefore, still able to maintain our policy of offering the public the best values obtainable.

We are grateful to our manufacturing friends and suppliers for their continued co-operation under difficult conditions.

STAFF

Over 1,500 of our men have joined H.M. Forces. It is with deep regret that I have to report that 37 of them have been killed, 25 are reported missing and 37 are prisoners of war. To the families of the bereaved we extend our condolences in their sad loss; we sympathise with the families of those who are missing, in their anxieties.

We have continued our scheme of supplementary allowances, and have dealt individually and sympathetically with the families of those who have become casualties. We correspond with all our men who are prisoners of war, and we do our best to meet their requests for cigarettes, books and games by sending them regular parcels.

Of our pre-war staff of 20,000 only 3,000 are still with us, the majority having left to take up other work of national importance in the war effort. Our present full-time labour force numbers some 9,500. I would ask you to join the board in expressing thanks to them for their loyalty and service to the company.

The report and accounts were unanimously adopted.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

THE past week brought virtually no change from the conditions prevailing in the markets for some time. Turnover suffered a further slight contraction, but prices were generally steady. Very little selling in the gilt-edged market of both short and long-dated stocks was, in the absence of support, sufficient to depress prices. Old Consols falling ¼ and 3½ per cent. Conversion ½, among other declines ranging from ¼ to ½. The foreign bond market was devoid of any particular interest, although prices were maintained. Home rail issues fluctuated narrowly without greatly affecting quotations on balance. Exceptionally, LMS ordinary rose ½ point, while the 4 per cent LMS preference stock improved. The feature of the foreign rail market was the sharp marking-up of Argentine rail stocks on that country's change of government. Initial gains ranged from 2 to 3 points for junior and senior stocks, but profit-taking later reduced these gains, generally by half.

Main activity in the industrial market attached to those shares with current interest. Thus, Callenders Cable rose 14s. 6d. on the announcement of the bonus payment, and De la Rue a full £1 on the dividend. In contrast, Cable & Wireless ordinary fell 5 points on disappointment at the absence of any increase in the year's distribution. Brewery shares fluctuated narrowly, but tobacco shares attracted support, Imps and Bats both advancing ½ among other gains. Motor shares were rather erratic, Morris Motors and Thornycroft rising 1s. 6d. and 1s. 3d. respectively, while Rolls-Royce fell 1s. 3d. among other minor losses. Of the heavy industrial issues, Staveley was outstanding with a rise of 1s. 1½d., but losses were numerous. Tube Investments in particular losing 9d. Textile shares lost most of their earlier gains as the week advanced, and net changes were insignificant. Dollar stocks were dull throughout, but, elsewhere, James Finlay rose 1s. 6d.

*

Pending the June dividend announcements, the *kaffir* market was quiet. Some demand for Far Western Rand issues was

evident, but gains were generally insignificant. *Diamond* shares suffered from profit-taking after their recent strong advance, De Beers deferred losing ½. Turnover in the rubber market sufficed to maintain prices, but, after some improvement at the reopening, when Jorehaut rose 1s. 3d., tea shares became irregular in midweek. Apart from a gain of ½ for Burmah, the oil market was devoid of interest. Anglo-Iranian was sold in midweek, losing ½, but Shell remained unchanged on balance.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. shares*	20 Fixed Int.†
June 3.....	4,210	3,102	98.3	134.6
" 4.....	4,166	2,954	98.6	134.6
" 7.....	5,179	3,788	99.2	134.5
" 8.....	4,184	3,397	99.1	134.3
" 9.....	4,331	3,458	90.0	134.2

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 99.7 (May 11), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.5 (Jan. 4). ‡ New basis in S.E. List § Old basis.

New York

A TENDENCY to await the next phase of the war prevented the development of any decided trend on Wall Street during the past week. Occasional selective buying of leading issues was rather overshadowed by selling of rail, industrial and aircraft stocks. Actual price changes, however, seldom exceeded 2 points on balance.

DAILY AVERAGE OF 50 COMMON STOCKS

May 27	May 28	May 29	May 31	June 1	June 2
119.9	120.2	120.8	121.6	121.6	121.6

1943: High, 121.8, June 2; Low, 119.9, June 1.

COMMODITY AND INDUSTRY NEWS

Retail Trade.—The Retail Trade Report for April (published in the *Board of Trade Journal* for June 5th) shows a slight rise in the average daily value of sales compared with a year ago. The percentage changes in all departments can be seen in the accompanying table. A drop in the household goods index was again recorded. Sales of "other merchandise"—fancy goods—were bigger owing to higher prices. The rise in turnover in the clothing departments is discussed in a note on page 768. Total sales were about 7½ per cent. above those of March.

Flour Zoning.—The Ministry of Food announces that the postponed zoning scheme affecting the transport of self-raising flour packed in containers of 28 lb. or less will be brought into operation on Sunday, June 13th, by an amendment of the Flour Order, 1943. The scheme will prevent the movement of self-raising flour from zones in which production is insufficient to satisfy the demand, and will regulate imports into those zones from the most suitable zones with surplus production.

British Wool Clip.—Under the Control of Wool (No. 20, Order (S.R. & O., 1943, No. 788), which came into force on June 5, 1943, the British wool clip is requisitioned by the Minister of Supply. This follows the procedure adopted last year. The Order prohibits disposal, except to the Minister, and provides for the furnishing of returns of such wool and the issue of directions concerning removal, transport, keeping, storage, disposal or delivery of it. The Ministry has issued a schedule of prices which the Wool Controller has been authorised to pay for the wool, which are substantially the same as those paid for last year's wool. The Order does not apply to wool clipped in the Orkney Islands, the Shetland Islands and the Outer Hebrides, or to wool removed by fell-mongers from skins in any part of the United Kingdom.

Essential Oils Control.—More than 70 varieties of essential oils will be controlled by the Ministry of Food from July 1st. Control will cover importation, allocation and prices. The soap trade will be restricted to the use of eleven varieties instead of the 35 or so it uses at present. Prices may be reduced by as much as 80 per cent. under the new schedule. For example, peppermint oil will be less than 40s. a lb., while the current price is about 120s. Two varieties of lemon oil have been selling at 60s. and 35s. respectively; the controlled prices are likely to be about 20s. and 6s.

Tar Shortage Areas.—The Tar Controller, Ministry of Fuel and Power, has issued a direction to tar distillers in the Eastern and London divisions of the Ministry of War Transport and in the county of Berkshire (Southern Division)

STANDARD STATISTICS INDICES
(1935-36 = 100)

(WEEKLY AVERAGES)

	1943	May	June
Low	1943	1943	1943
High	1943	1943	1943
6	2	2	2

347 Industrials	81.1	99.7	97.2	96.1	95.7
32 Rail	72.6	108.5(6)	97.1	98.2	97.4
40 Utilities	67.9	85.0	85.5	84.3	85.0
419 Stocks	78.5	107.3	95.1	96.0	97.5
av. yield, %	5.36	4.47	4.57	4.54	4.47

(a) May 5. * 50 Common Stocks.

Total share dealings:	June 3, 1,179,000;
June 4, 1,255,000;	June 5, 733,000;
June 7, 1,213,000;	June 8, 1,078,000;
June 9, 808,000.	

* Two figures only.

COMMODITY AND INDUSTRY NEWS

that these are "shortage" areas. Tar distillers in these areas (unless their stocks exceed amounts specified to them by the Tar Controller) will supply tar, and tarmacadam manufacturers will supply tarmacadam only for Air Ministry requirements or on the authority of a permit issued by the Ministry of War Transport's Divisional Road Engineers. Anyone in the shortage areas needing tar or tarmacadam for other than Air Ministry requirements may apply to the appropriate Divisional Road Engineer for a permit.

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

	June 3, 1943	June 4, 1943	June 7, 1943	June 8, 1943	June 9, 1943
Crops	117.8	117.9	117.8	118.0	118.0
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	146.5	146.6	146.6	146.7	146.7

Crops	147.9	92.2	115.1	117.6	117.7
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	141.1	146.5	146.5

* Highest level reached during 1932-37 recovery.

BRITISH WHOLESALE PRICES

	June 1, 1943	June 8, 1943
--	--------------	--------------

GRAIN, etc.

Wheat	s. d.	s. d.
No. 1 N.Mt. 49b. f.o.b. St. J.	42 6	42 7
Barley Eng. Galt, av. per cwt. (c)	34 3	34 5
Oats (c)	16 1	16 0

JUTE (per ton)

India 2/3 c. and f. Dundee	45 0/0	50 0/0
Common 8 lb. cops. (per spindle)	4 10	4 10 1/2
10/40 Hessians, per yd.	0 6 5/0	0 6 5/6
8/40 Hessians, per yd.	0 5 0/0	0 5 0/6
10/40 Calcutta Hessians, Apr.		
May, f.o.b. Calcutta, 100 yds.	44 0	44 6
7 1/4 40	35 0	35 6

TALLOW (per ton)—London Town

	31 0/0	31 0/0
--	--------	--------

VEGETABLE OILS (per ton net)

Linseed, raw	50 0/0	50 0/0
No. 1 N.Mt. 49b. f.o.b. St. J.	58 0/0	58 0/0
Cotton-seed, crude	39 12/6	39 12/6
Coconut, crude	36 12/6	36 12/6
Palm	36 0/0	36 0/0
Oil Cakes, Linseed, Indian, ex-mill	11 5/0	11 5/0
Oil Seeds, Linseed—		
Bombay	38 10/0	38 5/0
Calcutta	32 15/0	32 10/0
(c) Average for weeks ended May 29 and June 5.		

AMERICAN WHOLESALE PRICES

	June 1, 1943	June 8, 1943
--	--------------	--------------

GRAINS (per bushel)

Wheat, Chicago, July	143 1/2	144 1/2
Winnipeg, July	99 1/2	101 1/2
Oats, Chicago, July	63 1/2	65 1/2
Rye, Chicago, July	95 1/2	95 1/2

MISCELLANEOUS (per lb.)

Cotton, N.Y. Am. mid., spot	22.10	21.94
Am. mid., June	20.30	20.21
Moody's Index of staple commodities, Dec. 31, 1931=100	246.0	244.8

Capital Issues

Week ending June 12, 1943	Nominal Capital	Conversions	New Money
By Terms of Issue	600,000	—	600,000
Particulars of Government Issues appear on page 773.			
Year	Including Conversions	Excluding Conversions	
1943	864,755,554	849,406,450	
1942	762,307,958	758,305,899	

Destination (Conversions Excluded)	Year	U.K.	Brit. Emp. ex U.K.	Foreign Countries
1943	847,392,008	1,375,685	638,677	
1942	758,069,103	199,308	37,488	

Nature of Borrowing (Conv. Excl.)	Year	Deb.	Prot.	Ord.
1943	842,191,623	659,837	6,554,990	
1942	752,110,433	531,913	5,667,558	

† Includes Government issues to June 1, 1943, only. ‡ Excludes figures to include all new capital in which public is not to deal has been granted.

RETAIL FOOD PRICES.

	Average price per lb. at			Per cent. increase since Sept. 1, 1939
	Sept. 1, 1939	Apr. 1, 1943	May 1, 1943	
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, child or frozen				
Ribs	0 9½	1 1	1 1	35
Thin Flank	0 4½	0 6	0 6	23
Mutton, British—				
Legs	1 3½	1 5½	1 5½	13
Breast	0 7½	0 8	0 8	8
Mutton, frozen—				
Legs	0 10½	1 0	1 0	16
Breast	0 4	0 4	0 4	—
Bacon	1 3	1 10½	1 10½	50
Fish	1 1½	1 5	1 5	32
Flour (per 7 lb.)	0 8½	0 9	0 9	9
Bread (per 4 lb.)	2 4	2 10	2 10	21
Tea	0 3	0 3	0 3	—
Sugar (gran.)	0 6½	0 9	0 9	32
Milk (per qt.)	1 4½	1 8	1 8	21
Butter { fresh	1 3½	1 8	1 8	31
{ salt	1 3½	1 1	1 1	27
Cheese	0 10	1 1	1 1	30
Margarine, special	0 6½	0 9	0 9	12
Standard	0 1½	0 5	0 5	—
Eggs, fresh (each)	0 2	0 2	0 2	—
Potatoes (per 7 lb.)	0 6½	0 6½	0 6½	5

Index of all foods weighted 1914=100	138	165	165	20
--------------------------------------	-----	-----	-----	----

Source: Ministry of Labour Gazette.

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

	Daily Average Sales	Stks. (at end)
	1943	1942
Feb.	Mar.	Apr.

(a) By Commodities

Non-food Merchandise	-25.5	-12.2	-1.6	-10.3
Piece-goods	-24.6	-7.3	-10.8	-17.4
Women's Wear	-40.9	-33.8	-0.5	-6.3
Men's and Boys' Wear	-17.0	-10.7	-2.1	-25.5
Boots and Shoes	-10.2	-16.6	-19.9	-11.9
Furnishing Departments	-9.6	-12.4	-15.2	-7.7
Hardware	+5.0	+6.2	+6.4	+25.4
Fancy Departments	+2.4	+9.7	+5.7	+6.2
Sports and Travel	+1.7	+1.2	+1.9	+22.9
Miscellaneous	-14.3	-9.5	+0.3	+4.3
Food and Perishables	-1.1	-2.5	+1.3	+6.1
Total	-6.8	-5.7	+0.8	+4.4

(b) Districts

Scotland	-7.1	-3.1	+2.0	+1.8
North-East	-5.1	-5.9	+0.6	+4.3
North-West	-9.1	-7.2	-2.2	-5.1
Midland and S. Wales	-6.6	-6.0	-0.5	-1.7
South England	-9.7	-8.4	-2.6	+9.8
Central and West End	-1.8	-3.2	+5.1	+18.4
London	-3.7	-1.8	+6.4	+18.4
Suburban London	-8.2	-4.3	+4.9	+12.8
Unallocated				

Source: Board of Trade Journal.

GOVERNMENT RETURNS

For the week ended June 5, 1943, total ordinary revenue was £30,280,000, against ordinary expenditure of £37,579,000, and issues to sinking funds of £295,000. Thus, including sinking fund allocations of £1,573,077, the deficit accrued since April 1st is £670,215,000 against £552,791,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to June 6, 1942	April 1 to June 5, 1943	Week ended June 6, 1942	Week ended June 5, 1943
ORDINARY REVENUE				
Income Tax	94,703	114,660	3,590	5,787
Sur-tax	6,602	6,912	332	450
Estate, etc.	18,635	18,948	1,300	1,700
Duties	1,850	1,690	100	—
Stamps	4,298	3,531	345	430
N.D.C.	39,546	62,522	4,836	6,070
E.P.T.	190	100	10	—
Other Inland Rev.	165,825	208,363	10,513	14,437
Total Inland Rev.	81,657	96,807	9,237	12,418
Customs	69,300	81,400	2,200	2,148
Excise	150,957	178,207	11,437	14,566
Total Customs & Excise	3,040	1,738	112	121
Motor Duties	75,602	—	26,164	—
Canadian Govt. Contribution	6,650	1,850	500	450
Post Office (Net Receipts)	510	600	—	—
Wireless Licences	200	190	—	—
Crown Lands	488	748	—	—
Receipts from Sundry Loans	12,975	10,635	812	706
Miscell. Receipts	416,247	402,331	49,538	30,280
Total Ord. Rev.	16,350	18,250	1,250	1,350
SELF-BALANCING P.O. & Broadcast	432,597	420,581	50,788	31,630
Total				

Expenditure	April 1 to June 6, 1942	April 1 to June 5, 1943	Week ended June 6, 1942	Week ended June 5, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt	87,211	88,711	30,215	29,644
Payments to N. Ireland	1,306	1,341	326	335
Other Cons. Fund Services	358	277	—	—
Total	88,875	90,329	30,541	29,979
Supply Services	878,880	980,643	92,600	107,600
Total Ord. Exp.	967,755	1,070,973	123,141	137,579
SELF-BALANCING P.O. & Broadcast	16,350	18,250	1,250	1,350
Total	984,105	1,089,223	124,391	138,929

After decreasing Exchequer balances by £497,518 to £2,656,624, the other operations for the week (no longer shown separately) raised the gross National Debt by £106,995,318 to £17,534 million.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 4th and June 10th. (Figures in brackets are par of exchange.)

United States. \$ (4.881) 4.021-031; mail transfers 4.021-031. **Canada.** \$ (4.881) 4.43-47; mail transfers 4.43-47. **Switzerland.** Francs (25.224) 17.30-40. **Sweden.** Krona (18.159) T.T. 16.85-95; bank notes at Bank of England, 17.40 kr. **Dutch West Indies.** Florin (12.11) 7.58-62. **Portugal.** Escudos (110) 99.80-100.20; mail transfers 99.80-100.30. **Panama.** 14.02-04; mail transfers 4.02-04. **Brazil.** 85.64 (buying). **Uruguay.** 7.6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40.50 (Official rate). **Turkey.** Piastres 520. **Italy.** 71.25 lire.

Finance

NET ISSUES (£ thousands)	
P.O. and Telegraph	200
Overseas Trade Guarantees	4
NET RECEIPTS (£ thousands)	204
Tithe Act	305

FLOATING DEBT (£ millions)		Treasury Bills (£ millions)		Treasury Bills (£ millions)	
Date	Ten-der	Tap	Public Depts.	Bank of England	Total Floating Debt
1942					
June 6	975.0				
Mar. 6	975.0				
" 13	975.0				
" 20	975.0				
" 31	2638.9		282.5	6.5	969.0
Apr. 3	975.0				
" 10	975.0				
" 17	980.0				
" 24	990.0	1867.2	203.8	1043.5	4104.5
May 1	1005.0				
" 8	1020.0				
" 15	1035.0				
" 22	1050.0				
" 29	1065.0				
June 5	1080.0				

TREASURY BILLS (£ millions)		Average Rate of Allotment		Per Cent. Allotted at Min	
-----------------------------	--	---------------------------	--	---------------------------	--

Road Accidents

"The continuing slaughter on the roads calls for insistent protest.

"A new feature is the marked rise in child fatalities which in 1942 were 27 per cent. higher than in 1939 despite an overall reduction of 16 per cent. in the total fatalities for the same period. Children's deaths in road accidents in this country during the last three years total nearly 4,000 or over 75 per cent. of children's deaths through Air Raids.

"The whole question should surely be taken in hand by the authorities in no uncertain way. Radical changes in road policy may be called for; but the need for the individual, whether driver, cyclist or pedestrian, to exercise a greater measure of care and consideration for other road users remains as urgent as ever."

An extract from the Statement issued by the Chairman, Mr. P. R. England, in connection with the 98th Annual Report and Accounts of the Royal Insurance Company, Limited.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5208

REGISTERED AS
A NEWSPAPER

JUNE 19, 1943

Entered as Second Class Mail Matter
at the New York, N.Y., Post OfficeONE
SHILLING

Labour and The Coalition	777	Eire Votes - - - -	782
The Peaceful Ocean -	779	US Machine Tools - -	788
Post-War Export Policy -	780	The Italian People - -	790

NOTES OF THE WEEK - - - -	783	INVESTMENT - - - - -	795.
UNRRA; Air Power; Combined Operations; Bombing the Ruhr; Direct Action?; Delays in Algiers; Interim Development; Thrift; Farm Cottages Tomorrow; Neutrality or Collaboration?; Distribution of Milk; New Trends in Russia; Soviet "Millionaires"?; The Oldest Colony.		Capital Profits or Liquidity?; Raleigh-Rudge Deal; Great Boulder Meeting; Anglo-Iranian Royalties; Cable and Wireless Results; J. Lyons Accounts; Forestal Land Accounts; Goodlass Wall Report; Oil and the State; June Kaffir Payments.	
AMERICAN SURVEY - - - - -	788	INDUSTRY AND TRADE - - - -	798
The Machine Tool Situation; Food Prospects; To Strike or Not to Strike; Bullied Through; Zoot Suits; Shorter Notes.		Industrial Research; The Cost of Houses; A British Electrical Research Board; Railway Wages Dispute; Quality v. Quantity; Agricultural Wages and Hours; Points Foods Distribution; Co-operative Reconstruction.	
THE WORLD OVERSEAS - - - - -	790	COMPANY MEETINGS - - - - -	800
Seed Beneath the Snow?; Chetniks and Partisans; Social Security and the Canadian Constitution; Portuguese Censorship Misconstrued.		RECORDS AND STATISTICS - - - -	804
FINANCE AND BANKING - - - - -	794		
Discount Market Consolidation; Scottish Bank Notes at Par; Marine Underwriting in 1942—; —and the Outlook; Hongkong and Shanghai.			

Labour and The Coalition

UNLIKE the Conservative Party, which met in conference this year for the first time since 1937, the Labour Party is guided from year to year by the decisions of its annual conference, and its policy is determined in a democratic way by the votes of its membership. Three years ago the Bournemouth conference sent its leaders into the Government; this year, the conference instructed them to stay in the Government, but not a moment longer than was necessary in order to win the war, and above all, not to think of perpetuating the coalition that was entered into for a specific objective.

The overwhelming vote confirming the electoral truce was surprising. It was far larger than the majority on a similar motion last year, although it might have been thought that the Catering Bill and the opposition of certain Conservative members to the Government's exercise of war-time powers would have fortified the critics of the truce. The decision is a triumph for the policy of commonsense and patriotism over more impetuous and impatient counsels. National unity has not been a bed of roses for the professional politicians, and the difficulties of maintaining it increase as the end of the war comes in sight. The right wing of the Conservative party has become more openly provocative and a nostalgia for

the *status quo ante bellum* is beginning to be expressed in certain quarters. But it would be foolish and wasteful for the Labour Party to embark on a policy of contesting by-elections. And it would be suicidal for the Labour Ministers to withdraw from the Government—which would be the only logical conclusion of such a policy. The Labour Ministers, as they, perhaps too assiduously, reminded the conference, have had the most "awkward" jobs in the Government. There was comparatively little criticism of the way in which they have discharged their duties, but there was evidence of a good deal of feeling that the Labour leaders have been too timid in office, too content to play second fiddle and too ready to compromise, whether on domestic or foreign matters—their acquiescence in the Darlan régime in North Africa and in the Government's India policy were both mentioned. If all that the Labour representatives in the Government need is an assurance that they will be supported by the Party's rank and file in any measures they may take to further the prosecution of the war and to plan for improvements in the standards of living after the war, they received it fully this week. The discussion on the Beveridge report amply illustrates this point. The Executive Committee's resolution did not go far enough for many delegates, who

moved an amendment, which received substantial support in the conference, accusing the Government of "timidity, evasion and delay," congratulating the Parliamentary Labour Party on its stand, and urging it to continue to bring pressure to bear.

Though the proposal for ending the electoral truce was thus decisively rejected, there was evidence that considerable misgivings are felt lest some Labour leaders might be tempted, if not exactly to "do another 1931," at any rate to carry over the coalition into the period of peace. Mr Attlee's pledge that as soon as hostilities with Germany came to an end or there was any question of a general election, the conference would be recalled to consider the continuance or ending of Labour's participation in the Government, should go far to remove the fears and doubts on this point. If any Ministers were intending to remain in the Government they would have to persuade the conference that this was the right course, which, to judge from the feeling at this conference, would be no easy matter. Labour has thus given an emphatic No in response to Mr Churchill's appeal for the continuation of the coalition to carry out a four-year plan. Tribute was paid to the Prime Minister's magnificent leadership in the war, but there was general agreement that he should not be the nation's leader in time of peace. On the surface, a case can be made out for the continuance of all-party Government. War and peace are indivisible, in the sense that plans must be laid now for the transition to peace. Labour is co-operating in war administration and in the preparation of post-war plans; it might therefore be argued that it should continue in partnership until such time as the joint plans can reach fruition. But the analogy between war and peace—even the first years of transition—is fundamentally unsound. In peace, there is no general agreement on immediate policy, or on the methods of attaining more distant goals, even if the goals themselves are agreed, as is not always true. If there were fundamental differences of view within a coalition Cabinet, the only policy that could emerge would be one of dilute compromise. And if there were no disagreements, the formal unity of politics would be a false reflection of the country. The sooner that British politics can return to the open competition of parties for the favour of the electorate, the better both for the parties and the country. The essential unity of the national outlook is better achieved by an alteration of policies than by an agreement to do nothing that might offend anybody. A contested election after the war would probably not give a Labour majority, but it is the only way to a future Labour Government.

But this ignores the vital question: Is Labour fit to govern? It could be answered, with truth, that Labour could not govern worse or display greater bankruptcy in home or in foreign affairs than the Conservatives during the Baldwin-Chamberlain era. But this is not enough. Mr Herbert Morrison, at Leeds in April, said that Labour "must be ready for the tasks of Government," and at the conference he outlined some of the tasks ahead, not the least of which will be the battle for the continuance of controls. The Labour programme has long been known and accepted by Labour conferences, and its recent pronouncements on the social services, health, housing, education and local government reform are sensible, progressive and constructive documents, which will command wide support. What people want to know now is, how does Labour propose to carry out its programme? This year's conference shows that the rank and file of the Labour movement are tired of the reiteration of phrases and catchwords, and of promises of "jam tomorrow." They want a clear-cut lead, and assurances that the party's programme can become practical politics, and will be translated into practice at the earliest opportunity. The ballot for the party officials showed the trend of opinion in the constituencies—Mr Laski and Mr Shinwell, who topped the poll, have been active prodders inside the party. The defeat of Mr Herbert Morrison in the election for the Treasurership is probably due in the main to the personal popularity of his rival, Mr Greenwood, and to the respective rôles each played during the House of Commons debate on the Beveridge

report. Although Mr Morrison is no longer a member of the Executive, it may be assumed that he will continue to exercise a very great influence on its counsels. Indeed, it would be ludicrous if he did not.

The Labour Party has suffered too long from an opposition complex, and has too long been retired behind its Maginot line in Smith Square. "In office, but not in power," was the experience of two Labour Governments—and the excuse for many inactions—and the defeats of 1931 are still deep in men's minds. As Mr Attlee himself remarked, the British never know when they are defeated, and British Socialists never know when they have won. More self-confidence and initiative will be needed if the Labour Party is to become a governing party. The party, largely owing to difficulties of wartime organisation and the abandonment of local electoral activities, has sunk to a low level; its individual membership has declined progressively since its peak of 1937, and is today lower than at any time since 1928. The plea of the Communist party that it would provide the necessary galvanising influence was decisively rejected, though by a smaller majority than was the ending of the electoral truce. The argument that Communist affiliation would bring greater strength to the movement, and that the dissolution of the Comintern had demolished the chief argument against their admission, though sincerely put by Mr Will Lawther, the miners' leader, was overruled by the deep mistrust of Communist tactics and of the record of the British Communist Party.

The present moment is Labour's testing time, and also its opportunity. Labour's aims and policy, its programme for social reform, greater equality of opportunity and extension of public ownership, have a wide appeal. The successes of Common Wealth can be attributed in part to lack of competitors in the electoral field, but more particularly because it preaches—in simple language—the same doctrines as the Labour Party. If, after the war, Labour is to have an equal chance with the Conservatives of getting a majority, it will have to attract a great body of liberal (with a little "l") opinion, and become the nation's great progressive party. More than this, it will have to attract the great floating mass of the non-political electorate, upon whose votes its accession to power would depend. The blight upon British politics ever since 1918 has been that this central mass of the electorate has always, with the rarest and most partial exceptions, thrown its weight to the right. Until it begins to alternate, until there is a pendulum to swing, there will be no life. And it will not be attracted to Labour, even at alternate elections, until Labour starts to attract it. To do this, Labour will not need to water down any of its actual policies (as distinct from some of the abstract nouns it uses), but it must give evidence of constructive and bold leadership. It should put an end to heresy hunting, with its black circulars, expulsions and disciplinary action against those who co-operate with outsiders. It should make it easier for young men and young women with brains and ability—even if they have not the means—to enter Parliament. At present the tendency is for parliamentary seats to be reserved for trade union officials and for candidates who are regarded as "safe" from the Transport House point of view. The millions of young men and women who have borne the brunt of the war and who will vote for the first time at the next general election will certainly not cast their votes for elderly candidates or for those who play for safety first. Nor can Labour expect to lead the nation if it does not permit leadership within its own ranks, if it rejects its great men because it suspects their greatness, or if it imposes too many obligations of servitude on those it elects to office. Men are led and governed by men, not by nominees.

This Whitsun conference has shown signs that the Labour movement has begun to realise what it is that has held it back for all these years, just out of reach of what has seemed to be its obvious reward. The transformation is beginning. Like all psychological transitions, it is difficult and intangible. If it is successful, not only the Labour movement, but the community as a whole, will feel the benefit.

The Peaceful Ocean

OVER a year has passed since the fall of Singapore, the bombing of Ceylon and the brief irruption of the Japanese Navy into the Indian Ocean. In spite of the gloomy prophecies made at the time of Japan's sweeping advance through the South Seas, the Indian Ocean is the only great stretch of water in the world that is still substantially untroubled. India has not been threatened from the sea; nor, save for the brief internecine fighting in Madagascar, have the east coasts of Africa been disturbed. The Japanese are in occupation of a large segment of the rim—but they remain on the rim. The comparative immunity of so large and so strategically vital a part of the earth's surface is a fact worth comment. The Indian Ocean has been an area of peace for the last hundred years, and today, in the middle of the Second World War in history, it is still, in the main, at peace.

The reason is, of course, the Pax Britannica. The Indian Ocean is, above all others, the zone where the possession of overwhelming sea power and control of all the bases by one peacefully intentioned nation has given a stability and a security other regions have not known. There is no other reason why the Indian Ocean and its shores have been spared the ordeals of the Atlantic, the Pacific, or the Mediterranean. If it is thought desirable to go on maintaining so large a portion of the earth in peace, the problem is to ensure the continuance of the unified system of military security which British suzerainty has provided hitherto, and to secure its continuance in a form tolerable to the peoples concerned.

The force of Eastern nationalism is not spent. It will be far stronger after this war. Burma and India will secure some form of independence. Ceylon has in the last week accepted a number of constitutional reforms which take it on another stage towards dominion status. The restored regime in Malaya, whatever its precise form, will certainly leave more scope for local independence than the old. To the West, the Arab nationalist movement must sooner or later develop in Aden and the Hadramaut. There are aspirations to independence in East Africa, and if the great problem of racial tolerance can be solved, they will be granted. South Africa has for a generation been fully sovereign.

A general movement towards independence all round

the Indian Ocean would be in keeping with the democratic ideal of self-determination. But, by itself, it would contribute very little to the other ideal of freedom from fear. Young nationalist states are not usually either strong in themselves or naturally given to strategic co-operation. Thailand is a warning of their incapacity to resist aggression. And the bleating of the lamb excites the tiger. An area weak in political and military strength, yet rich in resources, a centre of world commerce, criss-crossed with vital air and sea communications, is a standing temptation to the ambitions of more powerful nations on the periphery. It would be rather naïve to suppose that because the present aggressors will have been beaten, the temptations that led them on will not entice them again, or entice others.

This will be the dilemma before British policy in the Indian Ocean after the war. The aspirations towards independence cannot be crushed or disregarded. At the same time, only some strong general security system can maintain the area as a zone of peace. Moreover, by one strong pair of hands, the Indian Ocean can be very economically defended. Its strategic outline is simple. Strong forces maintained at only seven points—at the Cape, at Suez or Aden, at Baghdad, on the North-West Frontier, at Mandalay, at Singapore and in the Timor Sea—can command all the entrances either to the ocean or to its littoral; there are no other ways in. The forces needed are, in the main, naval and air forces; the chief rôle of land forces is to ensure the security of the naval and air bases. (The ease with which Singapore was taken from the land was an exposure of the imperfect way in which the broad strategic policy was executed, not a disproof of the policy itself.) In short, the integral defence of the Indian Ocean is the sort of task that only a world-power can undertake; a number of independent national units, operating separately or even in co-ordination, could hardly achieve it, even if they could refrain from attacking each other, or from suspecting each other of designs of attack. And it is exactly the sort of task to which British arms are suited. Yet if the strategic facts point so conclusively to unity, the political facts point no less conclusively to diversity. Unless the countries of the Indian Ocean can attain, or at least aspire to, independent nationhood, they will be dis-

To every man and woman smoker

Will you help to reduce the appalling loss of vital material caused by fire damage?

THOUSANDS of tons of foodstuffs completely destroyed, a clothing factory in flames, destroying hundreds of thousands of garments—fires like these are costing the nation £12,500,000 a year! More important than the money are the labour, the raw material and the shipping space which must be diverted from the war effort to replace the loss.

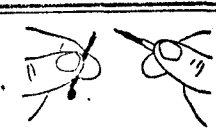
And the facts are, undeniably, that most fires start from some little act of carelessness by a normally careful person. A match thrown away still smouldering,

a cigarette end left burning, an electric iron left switched on—simple acts of carelessness like these are slowing up production, as well as making tragic inroads into the nation's reserve of materials. Will you help to stop it?

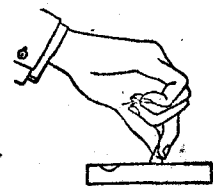
Be more than careful with lighted matches and cigarette ends—be sure! Stub your cigarette ends till they're right out and never throw away a match or spill unless you know it's out. Your help, everybody's help is needed, to reduce the loss to the war effort by fire.

Most fires are caused by careful people

3 SAFETY FIRST
RULES FOR SMOKERS



1. You know a match is out when you can do this.



2. Stub your cigarette end right out.



3. Look twice, when you're in any doubt.

contented—and the unity of their discontent would pose a problem far beyond Britain's power to solve. But if independent nationhood were to mean a collapse of the present strategic unity, the Indian Ocean peoples would gain independence only to lose it—and probably for ever—in somebody else's New Order or Co-Prosperity.

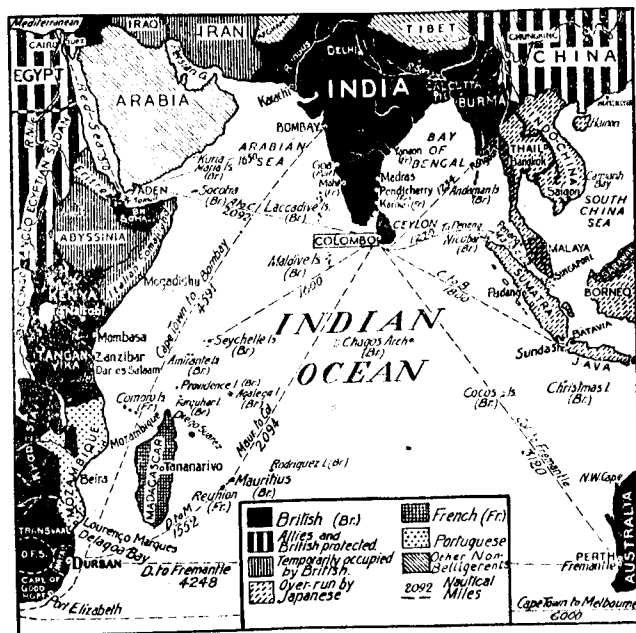
British practice has, however, evolved a number of working models for meeting this difficulty. It is not certain that when their time comes, either Malaya, Burma, Ceylon or even India will opt for complete independence outside the Commonwealth. They may all prefer to retain Dominion status and to co-operate in a joint defence system as Australia and New Zealand have tacitly done in the Pacific area. The Singapore base was not in any formal sense a joint Imperial effort. But it was heartily welcomed and explicitly blessed by the Antipodean Dominions. Yet Dominion status of itself, at least as understood in its present form, is not a complete guarantee of co-operation. The Treaty Ports in Eire are an obvious example of the way in which the right to remain neutral can be used to prejudice the right of other nations to survive. Dominion status in the Indian Ocean requires an agreement on the joint use of bases essential to general security.

It is possible that the nations bordering the Indian Ocean may wish to go further than the achievement of Dominion status and break their political connection with the British Commonwealth. Here again, there are models in British policy for combining political independence and strategic co-operation. In Iraq, the abandonment of the British mandate in 1922 and the establishment of full Iraqi sovereignty carried with them free agreement on the maintenance in Iraq of British air bases. Egypt is another example of the combination of national sovereignty with the joint use of bases. In both cases, the fact that Great Britain had retained these facilities enabled both Iraq and

Egypt to develop their independence without involving themselves in costly warfare or hardly less costly armaments.

If peace is to be maintained in the Indian Ocean, solutions on the lines of the Imperial base of Singapore or the treaty relations with Iraq and Egypt must serve as a model. It may be objected that this arrangement cuts across United Nations solidarity. There is no reason why it should. The existence of the British military agreement with Egypt made it possible for American troops to use Egypt as a base. Similarly, had the Pacific war gone better, presumably American battle-ships would have operated from Singapore. Bases maintained by Britain for safeguarding the peace of the Indian Ocean could be used by other peace-loving nations. Great Britain's part would be primarily that of accepting the continuous responsibility—and liability—of keeping the bases in first class military order and of shouldering the often arduous task of maintaining cordial diplomatic relations with the national states—Dominions or otherwise—in whose territory the bases were situated.

Such a working arrangement would not be a cloaked form of resurgent imperialism. Its attraction is that it can work within a framework of national sovereignty and of international co-operation. Other nations will have a similar responsibility in other areas—America in the Pacific, for example. In the Indian Ocean it is Britain that could bring to the work the greatest measure of experience and the most considerable record of success. In all the policies that growing nationalism and economic development in the Indian Ocean will make necessary over the coming decades, this great beneficent fact of strategic integrity should never be lost from view. The British rôle is that of trustee, and of trustee only. But it should not be surrendered until there is some other trustee in sight whose strength is as great and pacific intentions are as honest.



Post-War Export Policy

IT is entirely right and proper that the methods and possibilities of British post-war exports should receive an increasing volume of public discussion. This is a healthy reflection of the growing realisation of the magnitude of the problem that will face the British community when the war is over. The facts from which the discussion starts are common property. The balance of payments of the United Kingdom on the average of 1936-37-38 can be very briefly set out in the following table (the figures are in £ millions, rounded to the nearest £10 millions):—

Imports.....	930	Exports.....	540
Govt. payments.....	10	Investment income ..	200
		Shipping earnings ..	110
		Commissions, etc.	40
		Other receipts.....	10
			900
		Deficit	40
			940

The war will have made substantial inroads on some of the items on the right-hand side. Investment income may have been reduced to half the £200 millions shown for the pre-war years. Shipping earnings will be much reduced until the Merchant Navy can be re-built and re-capture

its former position. Income from commissions, etc., may have been impaired (though not in so serious a proportion as the two former items). Moreover, there is the possibility of an adverse movement of the terms of trade—that is to say, of a greater rise in the prices of imports than of British exports. Even the essential minimum of imports may cost much more than £930 millions a year. As a convenient target for policy, there is general agreement on an increase of 50 per cent in the pre-war physical volume of British exports.

So much is common ground—as is the realisation that a great effort will be needed. Unfortunately, the trend of much of the public discussion is disappointing in the extreme. British industry is, in these days, far gone in the protectionist mentality. There is no point in reciting once again the origins of this state of affairs; but the results are frightening. It seems to be taken almost for granted nowadays that a British manufacturer cannot—and should not—be expected to hold any market in fair competition. At home, the dominant policy is to erect barbed wire and “Trespassers will be Prosecuted” notices round every market. Abroad, the British exporter seems to have an equal fear of the American competitor with his high wages and of the Asiatic with his low wages. Most of the dis-

cussion of post-war export policy, therefore, resolves itself into a rather pathetic search for the inherently impossible—that is, for ways and means of protecting export markets.

Two articles which have recently appeared in the *Times* have illustrated the more ludicrous aspects of these general tendencies. One of these was signed by Colonel Walter Elliot, whose thesis was that modern technical developments made international trade entirely unnecessary; autarky was the natural system of the twentieth century. This is utterly wrong-headed. It may be true that scientific invention is making it technically possible for a country to make at home all its essential requirements—provided that it pays no attention at all to any considerations of real or money cost. But scientific invention is simultaneously extending the advantages to be derived from international interchange. The more producers there are and the greater diversity of methods, the greater are the potential benefits of the division of labour. Just as the individual in a nation gains from the growth in the productive competence of the community, so will the nations in the world commonwealth. A rich industrialised nation may spend a smaller proportion of its total income on imports than a poor primary producer; but it is a vastly better market. It may someday be physically possible for the British people to make at home all that they need. But, Colonel Elliot's whimsy apart, the common-sense of the position is what it has always been; there are many things that the British people must import if they are to live at all; and if they are to live well, they must not debar themselves from buying goods from where they are cheapest or best.

The other *Times* article was more sophisticated. It argued that there is no such thing as an exact “cost of production” for any particular quantity of goods, that the producer need not apportion his overheads proportionately and that it may be the soundest practice to sell goods at a price that does little more than cover the out-of-pocket expenses of production; provided the sale yields anything at all towards overheads, it is better than no sale at all. This is true, though not new. Any heavily-capitalised industry can increase its total returns if it can sell at different prices in different markets. But when an accounting truism is widened out into a policy of dumping in export markets, something more needs to be said. What reason is there to suppose that, if one nation begins to sell its goods, as a deliberate policy, at less than their full share of the total costs of production, other nations will not follow suit? And if this policy—which most people will persist in calling dumping—is to become general, the advantage is clearly with the country whose exports form a small part of its total production. If the United States were to sell exports at their prime cost, the contribution to the overheads of American industry would hardly be missed. But it is hardly so with Great Britain. Export business, though it has fallen in importance, is not yet so insignificant a part of British industrial activity that it could be thus subsidised without a heavy strain being felt throughout the economy. Moreover, as Mr G. L. Schwartz argued in a letter to the Editor of *The Economist* four weeks ago, if there are to be sales below total cost, why should it always be the foreigner who benefits? Is not this a case where charity begins at home?

The truth, the very plain and obvious truth, is that there are no means by which export markets can be protected. Such devices as are possible are of very temporary efficacy. Thus it is always possible for a great importing country to drive bilateral bargains whereby its suppliers are compelled, in default of other outlets for their produce, to buy its goods at very high prices. This was the method of the Nazis before the war; it is the method for which some sections of British opinion have hankered. But, unless the margin of price is very small, this device will work only until the parties of the second part, who suffer under it, can readjust their economies and escape. International cartels are another device for assuring a market to the high-cost producer; but the assurance lasts only until the renewal of the agreement, when the producer who could extend his sales in open competition will be just as insis-

tent on a larger share as the best-armed brigand at a robbers' share-out. Nor is currency depreciation a permanent remedy. The pound must not, of course, once more be over-valued. But a deliberate under-valuation would lead both to imitation by other currencies and, also, through higher food and material prices, to increased costs at home.

There is only one way in which British exports can be expanded and the expansion maintained, and that is by producing a better article at a lower cost than other countries. It is difficult to imagine why it should be supposed that Great Britain, which invented this sort of business and has practised it with more success than anyone else, should now consider herself so inevitably inferior. The native and historical advantages remain. Is it the economies of mass production that are lacking? The world's second largest national income is in this island, and there are very few industries where the economic unit of production is larger than the British internal market can support. Is it the cost of materials that is excessive? It is cheaper to bring materials from the ends of the earth to England by water than from the Rocky Mountains to the Atlantic seaboard by rail. Is it skill of workmanship that is absent? The achievements of the war—and especially those of the aircraft industry—prove that the British workman—when properly led, properly organised and properly equipped, can turn out in an hour's work a higher quantity of better products than anyone else on earth.

The trouble is that he is not always properly led, organised or equipped. An article by Dr Leon Rostas in the current issue of *The Economic Journal* draws some highly interesting comparisons from the returns of the pre-war censuses of production in Germany, Great Britain and the United States. In physical output per head, averaged over all factory industries, if the British pre-war achievement be reckoned as 100, the German was between 101 and 107, and the American between 229 and 238. The British workman expects a standard of living, not equal to the German but considerably superior. How can he maintain it if his output is no higher? The same question is posed by a comparison between the three countries of the share that wages form of total costs of production. In Great Britain in 1935 the figure was 44.3 per cent. In Germany in 1936 it was 32.0 per cent. In the United States in 1935 the figure was 39.4 per cent. Germany gets low costs by paying low wages. America gets low costs in spite of high wages by very heavy mechanisation. Britain does neither, and has high costs. This may be an over-simplification, but it is not a falsification, of the picture.

If, therefore, British costs are high, they are not inevitably high, but high only in the environment of the present structure and equipment of British industry. If, in the struggle to pay for imports, wages and living standards in the export industries are not to be dragged down to the Continental level, then efficiency must be raised to the American level. That is the task before the country in the years after the war.

There are two sorts of efficiency, technical and economic, and it is both in conjunction that are decisive. Technical efficiency is a matter of machines and methods. It is not entirely the fault of British industry that it has fallen behind in these respects—taxation policy has played a part—but that it has fallen behind is hardly open to doubt. There has been a great deal of re-equipping during the war, and a shattering of outworn traditions that may be even more valuable. But there is a very great deal still to do in keeping up with the Industrial Revolution. This is not a matter for the state alone or for industry alone. Both share the responsibility for the present state of affairs; contributions will be needed from both if it is to be put right; and both will suffer if it is not. In the interests of the level of wages, the aim should be to double, for a few years at least, the secular rate of increase in the productivity of an hour of labour. The utmost degree of labour-saving is the only way to save Labour.

But technical efficiency will be useless without economic efficiency. It is not enough to have a few show plants

where costs are low if they are not allowed to sell at their low costs. It is absurd to build plants for mass production and then to throttle them down to a fraction of their capacity, so that traditional methods may have a comfortable old age. There is no purpose in having in England the world's cheapest producers if it is the world's dearest producers, also in England, who call the tune. This is a familiar theme in these columns and it need not be pursued further on this occasion, except to remark that insistence on the most ruthless economic efficiency does not necessarily imply insistence on *laissez faire* or on "cut-throat competition." On the contrary, especially in the context of exports, there is a great deal

to be said for various forms of collective organisation, of which the wartime Export Groups might form the embryo. Trade Associations have the most useful functions to perform in organising the co-operative endeavour to reduce costs of production—always provided that the reduced costs are allowed to find their full and immediate reflection in reduced selling prices both at home and abroad. It is not only the neo-Luddites but the cartellites who have to be defeated before full efficiency can be achieved. British export trade has, by common consent, a gigantic task in front of it. It labours, admittedly, under grave difficulties. But the fault is not in its stars, and the remedy is its own.

Eire Votes

EIRE will go to the polls on June 22nd to elect the eleventh Dail. This will be the first election since the war, and the third election that has been held since Mr De Valera became head of the Government. Since the nominations were handed in at the beginning of the month, a vigorous election campaign has been in progress. Party leaders and ministers have been touring the constituencies, and the Irish papers have reported little else but the cut and thrust of democratic debate. Yet for all the atmosphere of party clash, this election has an unreal air. There appears to be less fundamental disagreement on policy than ever before in the short but chequered history of Eire, and the tendency of the two leading parties, *Fianna Fail* led by Mr De Valera, and *Fine Gael* led by Mr Cosgrave, to conduct the discussion in terms of Lewis Carroll adds to the atmosphere of unreality. The *Irish Times*, for Mr Cosgrave, taunts the Government with excerpts from "Alice in Wonderland," while the *Irish Press*, for Mr De Valera, replies with telling quotations from "Through the Looking Glass." The quotations are certainly apt in the sense that they correctly assess the coming elections as a paradoxical event held in an attractive backwards-looking wonderland where cause and effect seem to have parted company. The censorship has been relaxed for the period of the elections, but much of the atmosphere of unreality is a hang-over from the freezing of public controversy. For three and a half years, there has been no discussion in print of the great issues of the day. It is hardly surprising if an election held in these circumstances tends to revolve round superficial and irrelevant issues, and if it fails to raise the fundamental problems of Irish democracy.

Mr De Valera's party, *Fianna Fail*, has been in office since 1932. In the forthcoming contest, there are 355 nominated candidates. Of the three main parties, *Fianna Fail* is putting up 105 candidates, *Fine Gael* 87, and Labour 72. In addition, there are 47 *Clann na Talmhan* (farmers' party) candidates, 36 Independents, 5 adherents of *Coras na Poblachta* (a group which takes its stand on a programme of currency reform and of more intensive stimulation of the Irish language), and 3 supporters of the implicitly totalitarian *Ailtirí na h-Aiseiríge*. The eleventh Dail, like its predecessors, is likely to be composed of representatives of the three main parties, with a few notable Independents. It would be surprising if the existing division of the parties were very radically altered. There is an expectation that, after successes in the municipal elections last spring, Labour will find increased support in Dublin, and perhaps in Cork. But few Labour enthusiasts suggest that the existing representation of 9 will be much more than doubled.

The issue on which the election is being fought is, rather surprisingly, that of whether or not Eire should be governed by a coalition. The plea for a National Government was first put forward a few weeks ago by the *Irish Times*. It has been adopted by *Fine Gael*, and Mr Cosgrave has announced that if he is entrusted with the task of forming a Government he will invite the co-operation of *Fianna Fail* and Labour, and will form a Government of all the talents. The attitude of Labour

remains somewhat equivocal, but Mr De Valera has roundly denounced the coalition move as cumbersome and unpractical. He is calling on the electorate to return a "truly national" Government by giving *Fianna Fail* an overwhelming majority, and he asserts that if he fails to attain a clear majority he and his party will go into opposition. So it appears that Mr Cosgrave, even if successful at the polls, would hardly be able to form a National Government without the assistance of defections from the ranks of *Fianna Fail*.

The coalition controversy is a very significant pointer to the current state of Irish domestic politics. It reflects the paucity of ideas and lack of vigour which colour the whole of Irish political life. Mr De Valera's Government can plausibly be accused of pursuing an unimaginative policy; but the lack of any practical alternative policy—other than the piecemeal Labour programme supported only by a fraction of the urban population—is an even graver commentary on the existing bankruptcy of statesmanship. The two main parties, *Fianna Fail* and *Fine Gael*, as the *Irish Times* pointed out in its plea for a coalition, derived from two wings of the old Sinn Féin party which split some twenty years ago on their attitude to the Anglo-Irish Treaty. In the past ten years, all outstanding questions between Britain and Eire have been settled, with the sole exception of "partition," and on the partition issue the parties are alike, both in having the ultimate aim of re-uniting Ireland and also in having no immediate plan for realising their aim. Thus there is, the *Irish Times* claims, no live difference between the two parties. In the past, there has been a very important difference on economic policy. Mr Cosgrave developed an economy based on stock breeding and the British market. Mr De Valera, partly as a result of the economic war, turned to grain crops, halfway autarky and the encouragement of secondary industries. For the present, the war and the blockade make Mr De Valera's policy inevitable, so that on this score, too, the immediate difference of principle boils down to very little.

To lift the election a little out of the sphere of personalities and past history, the coalition issue was a necessity. Although there patently is all too little difference between the immediate policies of *Fianna Fail* and *Fine Gael*, that would not by itself justify the conclusion that a coalition is the solution. Somewhat amusingly, the success of the British experiment is constantly quoted by its *Fine Gael* advocates—who perhaps see no other hope of shortly returning to office—but Mr De Valera, whose belief in democratic practices is deep, if not wide, is surely right when he claims that democracy is essentially majority government and minority opposition. A National Government is a *pis aller*, useful only in time of extreme emergency, such as does not now exist for Eire, and totally unsuited to a people as little given to compromise as the Irish. Mr De Valera has a policy. It is based on neutrality, on nationalism, on liberty within certain rather stringent limits (which do not prevent him from internment the IRA), and on self-sufficiency as a virtue as well as a necessity. He believes in the neutral, Catholic, hairshirt

Republic, and he has a right to claim that he should be replaced only when an opposing policy commands the support of a majority of the Irish nation.

On any of these elements of the De Valera policy, the search for an opposition of sizeable proportions is completely vain. To the British observer, the most "through the looking-glass" aspect of the election is undoubtedly the attitude of the various parties to the neutrality issue. Save for Mr James Dillon, an Independent with a *Fine Gael* past, no voice is raised against neutrality—and even Mr Dillon would not permit Irish troops to leave Eire. Indeed, the opposition parties tend to outdo the Government spokesmen in acclaiming a policy which they believe to have the heartfelt support of the Irish people, and which they fear is generally attributed to the astuteness of Mr De Valera. They claim that they would have been just as clever as Mr De Valera has been; and neither he nor they show the slightest recognition of the manifest fact that the maintenance of Irish neutrality has not been due to anything that has, or has not, been done in Eire, but to the indifference of one belligerent and the forbearance of the other. In any case, there is no disagreement on the neutrality issue, which is by now past history, and the main concern of Mr De Valera's opponents is to prevent him from walking away with all the credit. Mr Dillon's is also the only voice to disturb the monotony of agreement on the question of partition, with a proposal for the creation of a United Ireland within the Commonwealth. His solution for the economic problem is a frank recognition that Irish prosperity is dependent on the purchases of the British market and a proposal to reintegrate Eire in a system of world trade at the earliest possible opportunity. This is a true opposition policy; but not one likely to conquer Irish opinion, which sees in it a drift back to the British Empire and a preference for economic prosperity over political independence. The policy of the totalitarian *Ailtirí na h-Aiseiríge* is again completely in opposition, but it is happily a negligible quantity. The opposition of Labour is based upon a far

more embittered nationalism than that of Mr De Valera, and on a somewhat irresponsible willingness to offer all things to all groups: higher wages to turf cutters and lower priced turf in the towns; lower taxes, but improved social services—again Lewis Carroll, but this time Sylvie and Bruno.

In fact, so long as the war lasts, and so long as the neutrality issue is, as it certainly is now, dead or dormant, no Irish government can do more than mark time, seek to maintain employment, and husband the increasingly scanty supplies of almost all sorts of goods. *Fine Gael* does not pretend to offer a different answer from Mr De Valera's to the problems raised by the war—hence the coalition suggestion. The answers provided by Labour, by Mr Dillon, and by the other groups, will almost certainly fail to carry the day. In these circumstances, it may be that the future of living parliamentary democracy in Eire would best be served by Mr De Valera's return to office with a working majority, so that he can freely reject offers of coalition support. When the war is over, Eire will need a Government capable of carrying the country out of political isolationism and economic retrogression, a Government of constructive, young and competent minds; and it will need a powerful opposition able to suggest a workable alternative scheme of development. Today, in a world of great events, Eire is sidetracked in contemplation of a tragic past. The closed chapter of the struggle for national independence is still re-read at every election, with the result that the next chapter is never begun. The leading political figures remain the revolutionaries of two decades ago—brought down to earth by the responsibilities of office, and tired by the insoluble problems posed by the back-wash of another war. If Irish democracy is not to peter out, there must be a shift of interest and of emphasis from the past to the future. To have been "out in '16 and '22" must become a less important password to popular favour than to have coherent plans for national development in '47 or '55. And policy will be born of divergence, not of compromise.

NOTES OF THE WEEK

UNRRA

The United States Government, after lengthy negotiations with all its Allies, has produced a comprehensive plan for administering relief in the wake of the armies of liberation. The major Powers have already approved it, and, under the name of the United Nations Relief and Rehabilitation Administration, it will presumably be the framework within which the relief system will work. It is based on a Council representing all the United Nations, to which neutral states with goods to supply will be invited. This Council will meet about twice a year, and determine general lines of policy. At the next level are a group of committees—some regional, for Europe, for the Far East; one functional, the Committee on Supplies, which will represent the countries supplying the materials for relief. It is probable that Canada will preside over this latter Committee. At the next stage, exercising considerably more executive authority, is the Central Committee on which the four Great Powers, Great Britain, the United States, the USSR and China, will sit *ex officio*, and which will be attended by the Chairman of the Committee on Supplies and by any country whose relief position is under discussion. Finally, presiding over the Central Committee, is the Director-General, who will carry the executive authority of the whole Administration. It is possible that Mr Lehman, the Chairman of the American Relief Organisation, will become Director-General. The existing Inter-Allied Relief Committee will probably be transformed into the European committee, with its seat in London. This is the framework. It is interesting to note how closely it follows the pattern set by the machinery of the League of Nations. The General Council corresponds to the Assembly, the Central Committee to the Council, the Committee on Supplies to the various commissions. The only real innovations in organisation are the subsidiary regional committees. The test of the scheme will lie, however, not in its elaboration or comprehensiveness. It will lie in the speed and efficiency with which its officers secure

the passage of supplies from the producers overseas to the stricken peoples of Europe and Asia. Here the example of the last war should serve as a warning. In the Allied Maritime Transport Council and the Food Council there existed in 1918 a piece of tested machinery which could have been rapidly switched from its war tasks to the reconstruction job of supplying the peoples. It was not allowed to function until after Mr Hoover had wasted three months trying to set up an entirely new and separate organisation. To-day the various Combined Boards—Food, Shipping, Production, Raw Materials—in Washington have even more experience of international administration than the inter-Allied bodies of the last war, and are already handling problems identical with those that will face UNRRA—the determination of requirements, the allocation of supplies, the matching of deliveries with shipping availabilities, etc. It would be disastrous to ignore this machinery. Fortunately, there is no reason to suppose that the same mistake will be made a second time. It should also be possible to make use of such a regional organisation as the Middle East Supply Centre. The use of the Boards would not modify United Nations control of the Relief organisation, for their part in the machinery of relief would be to advise and execute, not to decide. But if the existing machinery is not used, it is all too likely that the delays and confusions of the last war will be repeated.

* * *

Air Power

Lay discussion of the next stage in the war is being much confused by debates about whether or not air bombardment is capable of gaining victory single-handed. Some commentators have even gone so far as to suggest that the surrender of Pantellaria a week ago proves that bombing alone can reduce the enemy's continental fortress. In fact, of course, the capture of this tiny island was as much a vindication of the sea power that blockaded and shelled it,

and of the land power whose triumph in Tunisia laid it bare, as of the air power that beat its buildings into ruins and broke the morale of its low-grade defenders. This is not the first time in military history that a besieged garrison has given in before the assault, and it affords no general precedent for the Continental problem of invading Europe. The *Times* correspondent on the spot is worth quoting:

Our capture of Pantellaria was in its immediate results a resounding success. . . . It is no detraction from that . . . to point out that the operation proves very little. . . . The fact is that we shall never again meet anything so easy, and that if we had failed in this we should have had to reconsider our whole combined operations policy.

Nor is the very great damage done in the Ruhr region (which is commented on in a Note below) and elsewhere by heavy bombers a guarantee in itself of German defeat. The task ahead is not to send the various arms, land, sea and air, singly into the attack, in order to discover, competitively, which can be most effective, but rather to throw in all three together in a single attacking force, each exerting the maximum of its strength at the chosen point in the grand manner of combined operations for which geography, industrial capacity, experience and leadership have peculiarly fitted the Allied forces.

Combined Operations

The view of many observers, held almost throughout the war, that the pattern of victory requires, not only the central planning and ordering of strategy and production, but also the common training and command of all arms in actual operations, has been borne out by the course of events. By a brilliant improvisation, after many setbacks, a way to make effective joint use in battle of the Allied air and land forces was devised and applied in North Africa, with the commanders of the two arms working together throughout the battle at a common headquarters. The air resources at their disposal were divided into two parts, one responsible for the direct tactical support of the armies in the field and the other for the logistical task of rendering the enemy's logistical problems insoluble by the bombing of ports, bases, dumps and communications. This division of function has now been introduced into the RAF at home, with the setting up of what is called the Tactical Air Force, under the command of Air Vice-Marshal D'Albiac. This is no hasty change on the eve of battle. It is two and a half years since the Army Co-operation Command was set up to try out "all forms of land and air co-operation." This Command, now that the period of experiment and training has ended, has been merged into the TAF. The new force will be "located" in Fighter Command to ensure that in its work as an essential part of the Army in the field, "the closest possible integration with the main fighter force" will be ensured. Already, the process of integration has been tested in large-scale operations, not only in the real arena of North Africa, but also some three months ago in the biggest combined exercises ever held in this country. The emphasis is, and must be, upon "integration" rather than "co-operation"—common training, common command, common action. Nor should the allocation of the Tactical Air Force, equipped with "all the types of squadrons which have proved most suitable for the direct support of armies in the field," to this specialised task, conceal the need for what can be called the Strategic Air Force—that is, in the main, Bomber Command, with its vast and growing striking power—to play an equally direct part, when the time comes, in the process of invasion. The "location" of the TAF in Fighter Command must not mean either that it is to be merely a fifth wheel to the Air Force coach, or that Bomber Command is to ride aloof and apart. The remarkable work of devastation done by Bomber Command in bombing the enemy's backward areas, production centres, communications, bases and ports almost throughout the continent of Europe is indispensable to victory; but its contribution in the same vein nearer the field of battle when the sea and land advance on Europe starts can be a decisive factor. The latest change in organisation is a tremendous step forward; but the test is still the extent to which every weapon in all three elements will actually be available, and under a single direction, when the moment for the final series of knock-out blows arrives.

Bombing the Ruhr

The Ruhr and Rhine area of industrial Germany is being heavily and consistently bombed. The confusion that has arisen in the minds of many people about the effects of this massive bombing upon the enemy's power to produce the goods of war is due, in part at least, to the British authorities' frequent habit of relating the output of this

smitten region to the total output of pre-war Germany, without including the industrial potential of the countries conquered, annexed and occupied during the war, and without allowing for the appreciable wartime changes that have taken place in the distribution of German industry. Statistically, the percentages put out officially to the press and over the wireless are, of course, quite accurate—as a statement of the relation that the Ruhr-Rhine industries had to German industry some time before the war (though not of the relation they bear to-day to the area that was Germany then). But if they are intended to demonstrate in roughly quantitative terms the damage that Bomber Command is doing to the industrial capacity now available to the Germans—as they seem to be—they are a very considerable overstatement and one which if it were officially credited as fact, would base certain crucial strategic decisions on a serious false premise. The relative importance of the Ruhr-Rhine area to Germany has declined for two main reasons. First, even before the war new industries were being located in central Germany; secondly, since 1938, the industrial capacity of Austria, Poland, Czechoslovakia, Holland, Luxembourg, Belgium and France, all of them coal and steel producing countries, has been added. In 1938, the Ruhr-Rhine area produced roughly 60 per cent of the coal output of Germany and Austria together, against 72 per cent of the output of Germany alone in 1927-29 (lignite is included at its coal-equivalent). The area's share in the total steel output in 1938 was also about 60 per cent, against 80 per cent in 1927-29. During the war there has been a considerable expansion in the output of lignite, mainly in central Germany. The coal of Poland, Czechoslovakia and Holland, which is produced in areas that are geographically contiguous with the German coal districts, has also increased, while output in the Ruhr-Rhine has probably remained stationary, for technical reasons. These changes, it may reasonably be assumed, may have reduced the share of the Ruhr-Rhine area in the total coal output available to Germany to less than half, perhaps to some 40 per cent. If, say, 80 per cent of the pre-war coal output of Belgium and France is also included in the total, the share of the Ruhr-Rhine area is reduced to some 36 per cent, that is, to not much more than one-third.

In steel production the situation is similar. The new Salzgitter iron and steel capacity in Germany came into production during 1941. If allowance is made in addition for an increase in steel output in Poland and Czechoslovakia, and if Luxembourg's output is added, the share of the Ruhr-Rhine area may have fallen during 1941-42 to roughly 40 per cent. If, lastly, only a half of pre-war output in Belgium and France is added to the total available to Germany, the share of the Ruhr-Rhine area is reduced to approximately 36 per cent, again to just over a third. These estimates are naturally very speculative—as all such estimates, official or unofficial, must be. They are based on pre-war figures and on general indications given in the business reports of German concerns. But they do suggest, even allowing for a wide margin of error, that even if the Ruhr-Rhine area were totally put out of action by bombing, Germany would be left with a total available coal output of roughly 250 million tons a year, including brown coal; and that steel output might still be about 20 to 22 million tons.

Direct Action?

The campaign among civil servants to break the ban on their affiliation to the Trades Union Congress continues. The Union of Post Office Workers, which numbers 157,000 members, recently voted for affiliation, in spite of the prohibition imposed by the Trade Disputes Act of 1927, and Sir Walter Citrine publicly signified the willingness of the TUC to accept the union's petition for membership. This set the ball rolling. The Civil Service Clerical Association, with 140,000 members, has decided to organise a national campaign against the Trade Disputes Act and to ballot on the advisability of applying for affiliation, Act or no Act. The organised servants of local and municipal authorities have also moved. The National Association of Local Government Officers, with 120,000 members, has taken a ballot, which shows a majority in favour of seeking affiliation. Neither the NALGO nor the CSCA, however, is yet disposed to pursue the direct line taken by the UPW. The campaign set on foot by the CSCA is, on the contrary, an attempt to secure the lifting of the ban by proper political means, that is, by the persuasion of public opinion and the

consequent amendment of the Act; and the NALGO has referred the question of direct action back to its branches. Obviously there is need, first, for agreement between the TUC and the Labour Party, which is represented in the Government, on the right course of action for the Civil Service unions to take; and, secondly, for the reopening of discussions on the Act between the political parties which make up the present coalition. There is little doubt what the right course of action is. It has been stated this week at the Labour party conference, on behalf of the Executive. While deploring the provisions of the Trade Disputes Act and the intransigence of the Conservative party, this pronouncement made it plain that, in the Executive's view, the only legitimate means of obtaining redress, if an agreement cannot be made with the other parties, is by an appeal to public opinion and the electorate—"in exactly the same way as the legislative reversal of the Taff Vale decision was obtained in 1906." The apparent bias of the TUC, or at any rate of its chief spokesman, towards an immediate flouting of the law was not supported; and delegates to the conference were urged "to refrain from any form of intervention, even by discussion," which was stern and unexpected advice. There was even talk as a result of a split between the industrial and political sides of the labour movement—which, apart perhaps from a clash of personalities, seems hardly likely in view of the weight of the trade unions in the party. At any rate, the Executive's careful counsel was both timely and judicious. It is unreasonable that civil servants should be prevented from being affiliated to the TUC; it would be criminal and foolish for the unions to defy the law; it would be reasonable and wise for the Act as it stands to be amended—with its safeguards preserved to prevent civil servants from being drawn, by their industrial connections, into political activities. The danger of the present situation is that, by resorting to direct action in place of political persuasion and discussion, the unions may fatally prejudice their good case for securing an amendment by agreed and constitutional means.

Delays in Algiers

Those who hoped that the setting up of the French Committee of National Liberation would enable Frenchmen to turn their energies from problems of divided allegiance to the job of winning the war have been disappointed by the first week's record at Algiers, for it is precisely the work of mobilising French resources for victory that has rushed the Committee head on into another deadlock. For days now the Generals, the Commissioners, their Allied friends and advisers have been trying to find a way round the divergence of views which has immediately become manifest over the question of Army reorganisation. The problem is one of control: who is to rejuvenate the French Army? The crisis opened with General de Gaulle's forcible raising—at the first Committee meeting—of the problem of the Commander-in-Chief's status and of its relation to the proposed War Council. Since then, at least five different solutions of the dilemma have been suggested, but each has broken on the fear—first of one General, then of the other—that their own position and their own views would not be sufficiently safeguarded. At the time of going to press, no solution has been reached, and although the question is to go before a meeting of the full Committee, it is not certain that either side will abide by a majority vote. The trouble is that much deeper issues are involved than purely military efficiency. The army of re-invasion will inevitably have great political influence. In its cadres are undoubtedly men who compromised with Vichy. Yet many of these men, from the standpoint of technical knowledge, are essential to the new French Army. The de Gaullists are apparently pressing for a much more drastic purge of political suspects than General Giraud thinks the Army can stand. Here, of course, is the entry point for suspicion. The de Gaullists suspect General Giraud of using the technical argument to protect "traitors," the supporters of Giraud suspect the de Gaullists of wanting a political purge. The moderates, now a well-defined group consisting of General Catroux and MM. Monnet and Massigli, are working tirelessly to reach a compromise.

Interim Development

Lord Simon's apology for the Town and Country Planning (Interim Development) Bill during the second reading debate in the House of Lords on Thursday last week, was as disingenuous as it was skilful. The Lord

Chancellor made two claims: first, that the Bill substitutes "the conception of a central authority and direction for the exercise of local government functions"; and, secondly, that at a stroke the Bill will bring under planning resolutions the quarter of the land of England and Wales that is still not covered by local resolutions under the Act of 1932. It is difficult to see, however, in what real sense the Minister of Town and Country Planning will, simply on the passing of this Bill, take the place of local authorities—who must surely remain the planning agents in any case—in the actual making of plans. What the Bill appears to do, is not to substitute one authority for another but to add a new authority, the authority of the Minister, which is still so vaguely defined that, in effect, the local authorities will remain the planners. It is true that when land has been brought under a planning resolution, "interim development," that is, building, can be controlled or forbidden until an operative plan has been made; and that the new Minister will be, as Lord Simon pointed out,

in a position in which he will influence and provoke and it may be in proper cases originate along regular national lines the policy which we are now considering.

But there are no national lines; there is no policy to which "interim development" can be referred. And the Minister's position, until there is a policy, will not differ in essentials from the position of the Minister of Health under the Act of 1932, when his function was almost solely to approve disparate local projects. The passing of this Bill will not alter in the least the fact that it is still the local authorities who are being asked to prepare plans for local areas without any guidance on the kind of planning that is likely to be in the national interest or on the Government's ultimate intentions in regard to the control of urban growth and industrial location. There is still a vacuum at the top; there is the simulacrum of a central planning authority in the Ministry of Planning, but not even the basic principles of a positive central plan. While this is so, planning will continue to be largely ineffective because the local planning authorities will lack both the common context of a national policy for land-use and the powers and resources to carry their plans through. While some three-quarters of the land in England and Wales is already covered by planning resolutions, only 5 per cent is covered by operative planning schemes, partly because of the absence of a national policy, and, more immediately, because of the inability of individual authorities to compensate owners for the disturbance of property values. The further Bill that has been promised to extend the power of local authorities to acquire land will be a step forward. But, inevitably, unless the local authorities are given a Government brief on the control of land-use and the compensation of land-owners with a specific promise of the powers and resources necessary to apply its principles to all building in their areas, in the "interim" as well as in the ultimate stage of operative planning, they will plan in the future as they have done in the past—whether they want to or not. That is to say, they will not plan at all, but will direct their efforts, willy-nilly, to the speediest restoration of local rateable values.



1563 1831

MARTINS BANK

LIMITED

**EXECUTORSHIPS AND
TRUSTEESHIPS UNDERTAKEN**

Total Assets - £183,500,000

London District Head Office: 68 LOMBARD ST., E.C.3
Head Office: WATER ST., LIVERPOOL 2

Thrift

Before Parliament adjourned for the Whitsun recess, the Pensions and Determination of Needs Bill passed its third reading in the House of Commons. An amendment allows widows under 60, who now become eligible for supplementary pensions if they have children under 16, to continue to be eligible for them even after the youngest child has reached that age. But most of the discussion at the Committee stage centred on the treatment of capital assets. The new Bill raises from £300 to £400 the maximum sum owned by the applicant which is to be regarded as not available for his needs. One Member pressed for this maximum to be raised to £1,000, but when it was taken to a division the amendment secured only 8 votes. That it should have been moved shows how, after three years of existence, supplementary pensions are already coming to be regarded as payments as of right like contributory pensions. But the main argument brought forward in favour of it was that under the present system thrift by the working class is discouraged. Where it is a case of unemployment assistance, there are certainly strong reasons for taking as lenient a view as possible of the possession of savings. Generally speaking, a person saves for his, or her, old age, and if his savings have to be depleted during a long period of unemployment, it will merely mean that he will have to apply to the state for assistance at the age of 65 because it was not granted to him, in full at least, when he was unemployed at 40. But since savings are for old age, when that period is reached surely they should be used. It is indefensible that a person should keep a sum of £1,000 intact, to leave to his family when he dies, and live on the taxpayer. This surely is an abuse of thrift. It is also an abuse that people should skimp themselves and their families when they are young in order to save. Mr Kirkwood mentioned people who have put money aside instead of buying boots for their children. The answer is that they ought not to have done it. No one should cripple himself and his family by saving what he cannot afford.

Farm Cottages To-morrow

Early in February the Ministry of Health published details of a scheme for the construction of 3,000 agricultural cottages to relieve the housing shortage in certain rural districts. Work was to start in April in order to ensure its completion by harvest time. Construction and management were to be the responsibility of the rural district councils, who were to select sites in collaboration with the county war agricultural committees. Designs had been produced by the Ministry's Central Housing Advisory Committee, with and without a parlour. The project aroused much interest and controversy in Parliament and the press. Some said that the programme was much too small to make any impression upon the housing shortage—a figure of 300,000 houses was mentioned—and others criticised the designs, methods of construction and cost. In the excitement it was quite forgotten that 3,000 houses were urgently needed by harvest time. Work does not appear to have even begun. On June 10th Mr Ernest Brown, Minister of Health, informed the House of Commons that tenders for 220 houses had been submitted to him, and that those for 54 houses had already been approved. Questioned about the delay, Mr Brown said it was due to the high tenders, which had necessitated a review of the situation. Of the 54 tenders approved, the lowest was £747 and the highest £937, exclusive of the cost of land, roads, sewers and architects' fees, amounting to £100 in the first case and £51 in the second. These prices are very high indeed; the rise in building costs since the beginning of the war, Lord Portal stated on June 2nd, has been 105 per cent. The rents envisaged for the farm cottages are 8s. 6d. a week for a non-parlour house and 10s. a week for a parlour house. If these prices are the best that can be got, no further time should be lost. The 3,000 cottages are urgently needed; and any more ambitious programme is ruled out at this stage owing to the shortage of labour and materials, especially timber. Perhaps a proportion of the cottages may be ready by the spring.

Neutrality or Collaboration?

Great Britain, the United States, Germany and Italy have all recognised the new regime in Argentina. Meanwhile the Ramirez government has done nothing to modify

Argentina's previous policy of neutrality. Unofficial hints have been thrown out that this may be only a temporary phase and that definite action will be taken to break off relations with the Axis "when public opinion is ready for it." But public opinion in Argentina, in so far as it is vocal, is well ahead of the Government; it was ready long ago. The propaganda work carried on by the *Accion Democratica*—before the Castillo regime put a stop to all such activity—has had very considerable influence, and no Argentine government need fear popular disapproval of a policy of full collaboration with the United Nations. The real difficulty lies with the government itself. It is military in character—one of the exceptions, the civilian Minister for Finance, Señor Santamarina, is thought to be a friend of the United States—and it is above all in military circles that pro-German propaganda has been most successful and distrust of American hegemony most keenly felt. If the generals and the admirals did not feel so strongly their need for American lend-lease equipment to keep on approximately the same level of military preparedness as their neighbours, they would certainly prefer a policy of neutrality. Their professional outlook is in collision with their sense of national pride. In these circumstances they will need time to climb back along the limb of Argentine isolation. Meanwhile, the overthrow of President Castillo in Argentina has caused an eddy of unrest in Chile. The Chilean President was due to leave for Washington. Apparently a plot was discovered, implicating the Minister of the Interior, Sr Morales, to declare war on Germany during the absence of Sr Rios in the United States. As a result, the President has postponed his journey and dismissed Sr Morales.

Distribution of Milk

The Government's policy for milk distribution was strongly criticised last Friday by Sir Thomas Baxter, chairman of the Milk Marketing Board. The introduction of a functional method of payment for services whereby separate remuneration was paid to depot proprietors, wholesalers, self-wholesalers and retailers was, he said, leading to a long chain of distribution charges, and encouraging supplies to pass through many separate hands. For example, because of the reduced financial incentive to buy supplies direct from farmers, many retailers were now using the services of a wholesaler for the first time, thus making an additional link in distribution for which the Ministry of Food paid a wholesale margin of twopence a gallon. Mr Sidney Foster, general manager of the Board, pointed out that the Ministry's policy was responsible for a level of distribution costs which, during the past six months, was the highest in the history of milk selling—which, if true, means that the level must indeed be mountainous—and this in spite of the real saving effected by economies in transport and the elimination of the consumer's choice of milkman. The introduction of the self-wholesaling allowance to big distributors, a consequence of the adoption of the functional method of payment, was again criticised by Sir Thomas Baxter. This gives the large dairy companies and some co-operative societies up to 14d. a gallon more than their smaller competitors. The Government's case for this extra emolument is that these big distributors perform the function of wholesalers as well as that of retailers. Sir Thomas contends, on the other hand, that the additional margin is not granted for any additional service. This is an issue which can surely be cleared up very simply—by a statement of the facts. More generally, however, the critics seem to be disingenuous. When they talk about costs, they mean money costs, and they make no allowance in their comparisons for the fall in the value of money or the rise in the price of labour. Even so, the matter is too important to be allowed to rest. Milk distribution was extravagant enough, in all conscience, in the old days of the Milk Marketing Board itself. What seems to be wanted is an expert, authoritative and impartial body of inquiry to find out what the truth of the matter really is.

New Trends in Russia

The first anniversary of the Soviet-American Agreement was celebrated with great enthusiasm in Moscow last week. The exchange of messages between M. Kalinin and President Roosevelt was accompanied by extensive press comments which drew popular attention not only to the effectiveness of the Grand Alliance during the war, but also

to its prospects after the war. This demonstration of "Allied-mindedness" in Moscow has come as a climax to a marked and general growth of confidence since the conclusion of the African campaign. This attitude is in very happy contrast to the mood which prevailed throughout the second half of last year. The feeling that Russia alone, like Atlas, bears the whole burden of the globe has been considerably dispelled. Events in North Africa and in the air over Germany have spoken for themselves; and the present long lull on the eastern front has revealed to the Russian public the extent to which the wars in the west and in the east have merged into one. There remains the question how deep and definite is this change-over from long-standing isolationism? The dissolution of the Comintern has probably had fewer visible repercussions in Russia than abroad. The belief that revolutions in other countries would free Russia from its isolation faded long before this war. What was lacking until recently was any positive proof that friendly and stable co-operation with capitalist nations would be possible. This proof has now been provided in the most tangible manner. The Russian pilot flies an American or British machine; the Russian soldiers wear British-made shoes; the Red Army driver knocks about in a foreign lorry delivered under Lend-Lease; the worker at the lathe reads the inscription "Made in Britain" or "Made in the U.S.A." on the new and excellent machine tool which he has just been given to handle. The masses learn very eagerly from their daily experience. And this prosaic daily experience is beginning to suggest to them new possibilities of international friendship and cooperation. True, there are still important difficulties inherent in the Soviet political system. Reasons of domestic policy have not permitted the Government and the press so far to explain to the Soviet people the working of a foreign democracy. But if military events and post-war economic cooperation combine to strengthen the new mood and the new trend of thought, the Russian people may perhaps learn not only to appreciate the efficiency of British and American machines, but also to understand the outlook of the men who made them.

Soviet "Millionaires"?

For several months past the Soviet press has carried lists of acknowledgment for donations contributed by individual collective farmers to the various defence and Red Army funds. Sometimes these donations have amounted to several hundred thousand roubles; and a recent donation by a Kirghiz farmer amounted to more than one million roubles. The generous donor was honoured by a personal letter of thanks from Marshal Stalin. The size of the donations raises, of course, the question of the size of private incomes in Russia. It looks as if the "immoral kulak"—liquidated thirteen years ago—has been miraculously resurrected. Yet there is nothing really miraculous in this economic process. Ever since 1934 some sort of private farming and some private trade in agricultural products have existed in Russia within the framework of the collective agricultural system. The scale of this private trade has been difficult to assess since official statistics ignored it. Similarly, the published Russian statistics give no figures about the different income groups in Russia, probably because there is no wish to destroy the official notion of Russia as a classless society. *The Economist* has, on several occasions, pointed out that wartime decentralisation of food supplies in Russia is likely to favour the development of private trade in agricultural products, and the list of donations published by the Soviet press seems to bear out this assumption. The donors have been, almost exclusively peasants, and they can in the main have derived such large savings only from private trade. Even so, the size of the sums is somewhat surprising. Probably these figures point to a very advanced stage of inflation in private trade in the countryside. It is also significant that the possession of large private savings is being explicitly encouraged. Marshal Stalin's letters to the donors have more than a hint of the old "*Enrichissez vous!*"

The Oldest Colony

This year will see the tenth anniversary of the Newfoundland Act, which suspended the Dominion's constitution and provided for its administration by a commission of government of six, under the supervision of the British Government. It was stated that this regime was to be only

temporary until Newfoundland should be self-supporting again, and now that ten years of commission government are nearly up, it is not surprising that in this country as well as in the Dominion itself the question is being asked how long the regime is to continue. In Parliament last week Mr Attlee was not very encouraging. A "good-will" commission of three Members of Parliament is to visit the island, but it will make no report and it is difficult to see what useful purpose it can serve. The reasons that led to the suspension of self-government in 1933 are still there, though superficially Newfoundland has regained prosperity. There was a budget surplus of \$7 million in 1942, since the war, revenue has multiplied some four- or five-fold; the debt service is now being met regularly. The fact remains that ten years of commission government have not remedied the fundamental economic defects. The present prosperity is almost entirely due to the construction of military bases, and to a wartime boom in the fishing industry, because of the cessation of Scandinavian supplies. But the military projects are nearly completed, and the island's economy will then revert to a cod basis, which is all the more unsubstantial in that the industry is organised on antiquated lines. Ten years ago the people of Newfoundland voluntarily renounced self-government in favour of good government—but they did not get it, and it is hardly surprising that they are now regretting their renunciation. Yet there does not appear to be any strong united movement for a return to self-government, though there is undoubtedly a vague wish for it among many sections of the people. The trouble is that political abnegation has resulted in political apathy. All things considered, there seems a strong case, first, for a long-term policy of reconstruction and then for associating Newfoundlanders both in formulating it and in carrying it out. But there is also a lesson to be drawn from the Newfoundland experiment. It is that though British institutions may sometimes break down or be inappropriate, it is no solution merely to put the clock back. After the war, British colonies are going to need large subsidies out of the Imperial Exchequer if the British colonial empire is to be justified. But financial dependence should not be allowed to stand in the way of progress towards self-government.

PUBLIC INVESTMENT & THE TRADE CYCLE IN GREAT BRITAIN

BY

R. F. BRETHERTON,
F. A. BURCHARDT and
R. S. G. RUTHERFORD

30/- net

"Will claim widespread attention as the most comprehensive and authoritative study, yet produced of the practical problems involved in the control of cyclical fluctuations."—*Statist*

THE TAXATION OF WAR WEALTH

BY

J. R. HICKS, URSULA K. HICKS
and L. ROSTAS,

Second edition, revised 12/6 net

"The book is an example of the best type of economic research, combining the scientific approach with actuality."
—*Economist*, reviewing the first edition

Oxford University Press

AMERICAN SURVEY

The Machine Tool Situation

(From a Correspondent in Cleveland, Ohio)

May 21st

A PROCESSION of war industries has been rounding over their peaks for almost a year, beginning with the builders of munition plants, then reaching the builders of steel works, and now including some of the builders of machine tools. The big era of construction is definitely over. A War Production Board statement last week to the effect that the United States is at last "tooled to beat the Axis" was more dramatic than inclusively accurate, inasmuch as the machine-tool industry still has on its books orders exceeding \$500 million, worth. But unmistakably spotty outlooks appeared in the industry three or four months ago.

The makers of these master tools of industry used to regard a production of \$150 million worth a good year. In 1939, thanks to British orders, they turned out \$200 million worth; in 1940, with the beginning of the American defence programme, \$442 million; in 1941, \$785 million; and last year, \$1,360 million. This year they will probably slide off to a point between \$1,100 and \$1,200 million.

The industry is heavily concentrated in a few centres—its old homes in Connecticut and Massachusetts and the newer plants in Cleveland and Cincinnati, with outliers in Vermont, Illinois and a few other places. A number of the companies have connections of long standing in Coventry and Birmingham. The plants are mostly small or middle-sized, as American establishments go, and they are seldom publicly financed; but with the rush of war demand they were persuaded or coerced into doubling, tripling or quadrupling their forces and erecting new works which a few of them have not yet fully utilised. Now they are beginning to take on subcontracts from other manufacturers of war material to piece out the machine-tool business. Within the last few weeks, a number of them have been taking such fill-in jobs as parts for Diesel engines, cutting of gears and making governors for ships' turbines and fabricating marine valves.

The product of the industry consists of the elementary and mostly unspecialised tools of the metal-working factories. The fact that its peak has been reached is conclusive evidence of the maturity of the American war economy. The first tools to round over the hump were engine lathes, several types of boring mills and deep-hole drilling machines for gun-boring. Demand is still very large for cylindrical grinders, used for airplane parts; big hobbing machines for cutting the teeth in marine turbines, and multiple-spindle bar machines used for making any number of items. On the side of the argument for continued high activity are several additional projects which are coming along, a few inventions which approach the tooling stage, and the changes brought about by the fluidity of war in the design of weapons. The Soviet Government is also seeking to place several hundred million dollars' worth of new orders; and the word that the British machine-tool industry has not slackened its operations and that the British trade is still trying to buy quantities of machinery in this country leads many American firms to think they will be busy on approximately the present scale for the remainder of the war.

Enormously expanded though the industry is, the amount of work still required by the aircraft and shipbuilding industries and a few others is expected to keep most of its 300 plants running at their present pace for the rest of the year. The managers are still perplexed by the extreme shortage of skilled workmen. They contend weekly with the draft boards in their effort to keep essential hands at least long enough to train women to take their places.

Machine toolers in general welcomed the announcement that their major task is done, even though it requires them to make adjustments sooner than some of them had expected. They have had posed to them a part of their post-war task before the war is over. The industry has been concerned

over the rate at which it was turning out tools capable of lasting years beyond the end of the war—as they did in 1917 and 1918, with a longer depression ensuing in that trade than in most others. This time they have almost doubled America's tool equipment from where it stood in 1938, and some of them have mourned the possibility of being out of business for ten years. Renegotiation of contracts is leaving them with profits insufficient to carry them that long; even, many of them complain, with less than enough to enable them to get into new lines of business.

Views of their post-war prospects range among the tool builders from the dubious to the pessimistic. No one is cheerful, but some of them, like Mr Tell Berna, manager of the National Tool Builders' Association, look for heavy exports and the rise of new industries. Existing machines, moreover, are being worn out at a very rapid rate. Three shifts of workers depreciate them much more than three times as rapidly as one shift would, particularly as most of the workers are still relatively new to their jobs, many of them women who have never before worked in factories.

American Notes

Food Prospects

The June crop report has come as a shock to those who assumed that it would be an easy matter for the United States to shoulder the major burden of feeding the world. Floods covering nearly 4,000,000 acres in Oklahoma, Kansas, Arkansas, Missouri, Illinois and Indiana, drought conditions in the Dakotas and New Mexico, and heavy rains elsewhere, make the outlook less promising than it has been for the past three years. The wheat crop, estimated at 730 million bushels, will be the smallest since 1936; production of truck (market-gardening) crops is running 13 per cent below last year. On the credit side is the larger production of livestock, which, according to Mr Davis, the Food Administrator, may bring total food production near to that of 1942, given average weather, hard work on the farms, and adequate supplies of labour and equipment for harvesting. Mr Davis's mild optimism is not shared by his critics, foremost among whom is Mr Hoover, whose gloomy prophecies now appear to have some justification. Mr Hoover's demand for a single over-all Food Administrator, and the recall of industrial workers to the farm, has now been taken up in Congress. The ex-President would also like to see brought back into production much of the 47 million acres retired from cultivation by the restrictive policies of the '30's, when food was a drug on the market. President Roosevelt, however, has remained cool to Congressional stirrings and proposals from the same quarter of further shake-ups in the Department of Agriculture. He reiterated last week his belief that subsidies would do the job of encouraging production and at the same time keeping the cost of living stable. Already subsidies to "roll back" the price of butter, coffee and meat by 10 per cent are on the way. Over a one-year period they are expected to cost just under \$1,000 million and will be financed by the RFC, which at present has both the funds and the power to do so. How long it will retain these powers in the face of Congressional hostility, is problematical. The implacable opposition of the farm bloc, which is campaigning for higher prices, has been reinforced by those who see possibilities of political advantage in the administration of subsidy payments. And while the battle rages on Capitol Hill, the distributive trades are prudently emptying their larders of butter, meat and coffee in anticipation of lower prices next month. This artificial shortage, combined with the proba-

bility of a disappointing harvest, will now produce a price spiral "like a Kansas cyclone" unless authoritative action is forthcoming; and it will further embitter those unions which, unlike Mr Lewis, have put their faith in a strong policy of price control and rationing.

To Strike or Not To Strike

As yet there is no sure sign of a settlement of the coal dispute before the renewed truce expires on June 20. Consequently speculation is focused on the anti-strike Bill now lying on Mr Roosevelt's desk awaiting signature, veto, or the *laissez faire* attitude which would make it law in ten days without his signature. There are reports that Mr Lewis, facing the threat of imprisonment that the bill carries, may be willing to climb down to the extent of accepting a War Labour Board decision in the matter of portal-to-portal payment which, with other concessions, might net the miners nearly \$1.50 a day more. The breach which he had made in the coalowners' front has apparently come to nothing, and the owners have withdrawn from negotiations and appealed to the WLB for direction. It is also suggested that Mr Lewis may calculate that submission now might later be used to "show up" the WLB and the Administration for what he would describe as an anti-labour bias. Presumably he could so manoeuvre the miners, although there is growing resentment in the pits owing to Mr Ickes' forcible-feeble policy of imposing a \$5 fine on each striking miner, in accordance with their old contract, and then, when it appeared that the issue was too dangerous, speedily announcing that it could be eliminated by local negotiation. Whether the President will sign the anti-strike Bill is unknown, although some quarters are confident that he will. If he accepts it, the most likely course would be to allow it to become law without his signature, although even this could not fail to alienate much of his labour support. There appears to be no question that the bill is badly drawn and truly anti-labour, but the pressure of public opinion, and particularly that of men in the Services, is manifestly very great, and next year's elections must be remembered. As it stands, the bill includes the provisions noted last week concerning secret ballots, the 30-day "cooling-off period" before strikes are called in war industries, and a choice of heavy fine or imprisonment for anyone inciting strikes in government-seized plants. It also outlaws clauses in labour contracts by which workers can be compelled, as a condition of employment, to maintain their membership in the union—a sort of halfway-house to the closed shop. The impassioned opposition of the AFL and the CIO is based on the firm, and probably correct, belief that such drastic limitations on collective bargaining would invite a full-dress revival of managements' anti-union activities and prejudices. It should not be forgotten that for nearly two years after the passage of the National Labour Relations Act, which protects collective bargaining and prohibits discrimination against union members, employers, particularly in the heavy industries, openly defied the law. Compliance was not general until 1937, and the good old days are mourned and not forgotten.

Bulled Through

The first phase of the synthetic rubber programme has been successfully accomplished. Speaking at the opening of the Union Carbon and Carbide Company's new butadiene-from-alcohol plant at Institute, West Virginia, Mr Jeffers, the Rubber Administrator, confidently prophesied that production of synthetic rubber in 1943 would lie between 250,000 and 275,000 long tons. With the year's expected imports of crude at 54,000 tons, and an initial inventory of 443,000 tons, Mr Jeffers felt safe in saying that at last military needs and essential civil requirements, totalling 609,000 long tons for 1943, were assured, although he was quick to add that the point had not been reached at which restrictions on civilian use could be abandoned. So far this year, 25,000 long tons of synthetic rubber have been produced in the United States. Next year, Mr Jeffers estimated that production in the 40 plants being constructed would be at a yearly rated capacity of 850,000 long tons, greatly in excess of any previous imports of crude rubber. Of the plant needed to produce the 850,000 tons of rubber to which the programme has now been cut back, 30 per cent are already completed and the rest will be in production before the end of the year. Although the first plants to come into operation are those that derive butadiene from alcohol,

by the end of the year, according to *Time*, only 30 per cent of the materials for butadiene will come from corn. This is due to the higher cost of corn over oil as the basic ingredient. If Mr Jeffers is not disappointed in his predictions, he will have cause to congratulate himself. It has been agreed all along—and Mr Jeffers has been insistent in pointing out—that there were infinite possibilities of failure in compressing into a few months technological experiments which in peace-time would have been spread over years. If the synthetic programme lives up to expectations, it will also cast an undeserved shade over the remarkable efforts of the Rubber Development Corporation to turn South America—and particularly Brazil—into a reliable source of small amounts of crude rubber. Because of the conditions under which wild rubber is gathered—the trees grow about two to an acre of forest—these have involved the virtual underpinning of the whole Amazon economy, with the United States assuring supplies of petrol, air communication, sea transport of food, and anti-malarial medicines. Early in April, South American production in 1943 was estimated at between 35,000 and 40,000 tons, and that for 1944 at about 70,000. After allowance for the internal consumption of the countries, the total amounts available are not large, but in view of the need for crude rubber to mix with synthetic for certain types of tyres, and the chanciness of the synthetic programme, crude South American rubber at a total approximate cost of 65 to 70 cents a pound was considered useful insurance.

Zoot Suits

The zoot suit, for all its eccentric specifications of coats below the knee, six-foot key chains, foot-wide shoulders and peg-top trousers, is not altogether a comic subject. About 500 men and boys are in jail and 150 in hospital in Los Angeles as a result of clashes between the uniform of the United States and that of the gandy-dancer, and Los Angeles has been put out of bounds for service men. Nor are the disorders purely an expression of lawless and jitter-mad youth, although the immediate excuse has been attacks by so-called "pachuco gangs" on service men and their women friends. These gangs, of which Los Angeles is said to have 40 or 50, are largely made up of Mexican youths, and they are not of recent origin. One of the familiar sights in Los Angeles has been these boys, racing about in cut-down jalopies (i.e., old stripped motor-cars), dressed up in fancy suits, broad-brimmed hats, with their long hair combed into a top-knot. War conditions have made their activities less harmless. Last summer a public hearing was held by a grand jury investigating a murder attributed to the pachuco gangs. Unlike the local sheriff's office, which arrested 300 Mexican youths and attributed the murder to their "criminal biological tendencies" (Los Angeles has a Mexican population of over 200,000), distinguished witnesses called by the grand jury testified that the manifestations were due primarily to persistent discrimination, in the schools and the community, against second-generation Mexicans, who retaliated by forming their own gangs. The zoot suit is a symptom, not only of irresponsibility and recklessness, or of American eccentricities, but of a partial failure of the melting-pot.

Shorter Notes

One of Mr Byrnes' first steps as Director of the Office of War Mobilisation is an attempt at an arrangement with Congress whereby each House maintains a single committee to cover matters relating to the War. The demands which the many existing overlapping committees make upon the limited time of Service officers and members of the Administration have become intolerably heavy, and some rationalisation of Congress's committee organisation is urgent.

Coming changes in manpower distribution have been indicated by Mr McNutt in recent testimony before the House of Representatives Appropriations Committee. The Armed Forces, which will number 9,200,000 by July 1st, will take an additional 1,700,000 men during the last six months of the year, making their total strength just under 11 millions. Munitions industries, now employing 10 millions, must be increased by another 1,300,000 in the next twelve months. In order to meet these demands, 2,500,000 workers will be shifted from civilian industries, and another 1,200,000 will be drawn from those not normally in the labour force, raising the latter to the unprecedented total of over 64,000,000.

THE WORLD OVERSEAS

Seed Beneath the Snow?

(By a Correspondent)

THE third anniversary of Italy's entry into the war was not a happy one for the Duce and his people. Scarcely less hard pressed than France in 1940, Italian resistance, and with it the fascist regime, awaits the *coup de grâce*. And when the Allies have made surrender possible, there is no doubt that the Italian people will be glad to cut their losses; to acquiesce in a change of government and to scrap the tawdry glamour of the dictatorship. To attempt to forecast the exact form of the government of to-morrow, before the final campaign has been fought, would be an error of taste as well as of judgment. Sufficient categorical inexactitude on this subject has already been offered to the world. The whole gamut of Italian conservative traditionalism has already been inconclusively canvassed. There is little doubt that, when the time is ripe, Italy will not lack its defeat Premier or its group of realists ready to support the leader who is to conclude a "soldier's peace." The erection of a temporary government scarcely presents a political problem. There is no need, and indeed no opportunity, to discover and reward an underground opposition. But the composition of a defeat Cabinet, always, of course, provided that it is not fascist, is not a matter of the very first importance, since there is a strong probability that it will not endure.

The real problem of political reconstruction comes later. It will take time for the Italian nation to shake off the deadening influence of twenty years of fascism and also to recover from the shock of defeat. The function of the first provisional government, and possibly of the authorities controlling an Allied occupation, will be to speed this rehabilitation; to hold the scales and to foster the return of the elementary political rights of freedom of speech and association without which no democratic rebirth is possible. To do this, there must be intensive study of the damage that two decades of fascism have done to the mental and moral make-up of the Italian people. In recent years, Allied criticism of fascism, perhaps in an attempt to appeal to the intelligent self-interest of the Italians, has tended to fasten on its practical military and economic incapacity. There have been many excellent expositions of the method by which Mussolini, through an outstanding error of judgment, has sold to Germany his country's political freedom and has allowed Italy to be exploited economically in the manner of any other satellite. All this is true, but it fails to point to the greatest damage that fascism has inflicted on the heirs to the Roman tradition, the loss of character, of backbone and of self-respect. Before any national revival can produce a constructive and popular alternative to the fascist government—anything more respected than a government which owes its *raison d'être* to surrender to a foreign Power—there must be an end of the psychological blight which fascism has induced.

In his latest book* the great Italian Socialist, Ignazio Silone, has provided a penetrating and convincing picture of the mental climate which fascism will leave behind it. The book has an optimistic title: *The Seed Beneath the Snow*. But the seed which Silone describes is individual, scattered and negligible in the conditions of to-day and even possibly in those of to-morrow. The content of the book is not optimistic. It provides a picture of cynicism, corruption and social decay. It suggests that virtually the whole of present-day Italy has allowed itself to be compromised by the terror of a police state; that the exceptions are much rarer than has generally been believed. The account of Italian psychology which Silone provides agrees in the main with the evidence afforded by observers of other totalitarian states. There is perhaps rather more cynicism, a greater tendency to discount all political activity, of what-

ever complexion, than may be found in Germany. The Italian dictatorship has bred less fanaticism and less unquestioning faith than has been distilled from blood and earth north of the Alps. The result may be a quicker collapse, but an equally delayed return to political health.

A Lesson in Caution

Silone's novels are, of course, not evidence. They are written in exile, and are based on the experiences of the author as an active member of the underground movement some ten years ago, and on hearsay. They offer no more than an opinion about the psychological condition of present-day Italy; nevertheless, they are the work of an author who throughout the last twenty years has lived closer to the Italian people, even in exile, than the majority of political refugees. They certainly deserve the very careful consideration of the Allied world at the moment when the end of fascism is in sight. The lesson of Silone's books, and particularly of his latest novel, is a lesson on caution. They emphasise, as do no other accounts of fascist Italy, the deadening effect of enforced conformity, of ubiquitous suspicion and hollow applause. Yet, most marked, and perhaps most far-reaching, Silone considers to be the decay of personal friendships. Believing that under Mussolini's regime friendships—a good neighbour policy—have become luxuries entailing too often an intolerable tension between emotion and security, Silone suggests that human relationships have become almost completely formalised. His latest novel, which, apart from its urgent political implications, is an excellent story very well told, abounds in examples of this tension: between mother and son on account of a grandson hunted by the police for anti-fascist activities; between the Government official and the colleague who has displaced him by intrigue; between the displaced official and his former satellites; between old friends of every sort who cannot trust each other's reactions to the order of the day. Against this depressing background, Silone depicts a rebirth of hope issuing from the comradesly affection of a Socialist agitator in hiding and a few peasants. This reawakening of human values is "the seed." From a sophisticated standpoint, the hope that this seed will bear fruit appears slender indeed. The striking implication is that Silone, from his vantage point in a democratic country, sees no other hope—that the reclamation of Italy, in the view of at least one competent observer, is to be expected not from any political *credo*, but in the first place solely from the revival of a living humanity.

The Seed Beneath the Snow definitely rebuts the suggestion that any social group or class or any institution, not excepting the Roman Catholic Church, has remained immune from the taint of fascism. But it is significant that Silone takes his vital and sympathetic characters almost wholly from two often overlapping groups: from the peasantry and from those inspired by a living Christianity.

We find among peasants and workmen, Pietro maintained, the last remains of pride, dignity and common sense, the last reserves that our race may hope to draw on,

And again,

It may be a heresy on my part, Maestro Eutimio, but I have always taken Christianity to be a defiance of the world and all its vanities. . . .

Yet the whole emphasis of the book is on the rarity of independence of mind. The contention is that, under a dictatorship, mutual confidence can exist in only two forms: as the fellowship of the very poor who have virtually nothing to lose, and as the fellowship of the other worldly who snap their fingers at temporal values. But most peasants still have something to lose.

His friends and acquaintances of other days, peasants who

had attained a certain manly conscience and dignity in the former league movement, men whom he had come to know at league assemblies and congresses, were now dead or dispersed. . . . The few survivors were almost unrecognisable, bent under the weight of heavy cares, stultified from long misery, hardship, persecution and loneliness, oppressed by vague fears, fallen back into their traditional apathy, inaccessible to Pietro's simple message of friendliness. . . .

And most of the pious, in Italy as elsewhere, are security-minded.

Submission, whatever may be the intentions and the spiritual qualities of those who accept it, leads to enslavement and degradation. To take refuge in a life of hermit's contemplation, on the other hand, means simply to break off and wash one's hands of everything, operations which are not only cowardly but which are not within everyone's reach. And so the only honourable way open to Christians in this country is frank rebellion against money and the state, against their idols and their fetishes, with no thought for the consequences, which cannot be the subject of any illusions.

So that a scheme for the regeneration of Italy which pins its hopes on backing "the Church" or "the peasantry," as such, is reading too much into Silone's book and is probably doomed to disappointment.

In terms of political science, Silone's thesis amounts to a plea that, before Allied propaganda talks to the Italians of the joyful return of liberty and equality, it should emphasise the value of fraternity. The French at the great crisis of their history found this an essential category in the rebuilding of the state; and it would be possible to argue that a betrayal of the qualities which it implies, far more than their loss of faith in the virtues of liberty and equality, was responsible for the catastrophic loss of nerve in June, 1940. There can be no doubt that whether or not Silone's novel provides a completely accurate account of the state of mind of present-day Italy, there must be a lapse of time in an atmosphere freed from police terror before the average Italian will feel able to speak his mind on political questions. The aim of an interim government, from whatever quarters it is drawn, and the aim and responsibility of Allied officials in Italy should be to secure the sort of conditions in which the seed can take root and flourish. When the Battle of Italy is won, the Allies must foster the return of political activity and of freedom of discussion. They must not squander their efforts in attempting the hot-house development of competing political nuclei which may, or may not, eventually win the confidence and assume the government of the Italian people.

Chetniks and Partisans

(BY A CORRESPONDENT)

THE feud between General Mikhailovitch's Chetniks and the Yugoslav partisans has been the most baffling of Balkan problems during this war. Both movements have made their contribution to the unique armed resistance in Yugoslavia which the Germans and the Italians have so far vainly attempted to suppress. Between them they have, in a sense, turned Yugoslavia into an Allied fortress inside the *Festung Europa*. Both groups have pinned down a considerable number of Axis divisions in Serbia, Croatia, and the coastal provinces in the south. But, undoubtedly, the internecine struggle between the two movements has reduced the effectiveness of their common resistance, and has caused a great deal of valuable energy to be wasted in futility and frustration.

The dividing factors have been manifold and complex. Fundamentally, the split seems to reflect the old antagonism between Croat and Serb, though this line of division has by no means been clear cut; Croats fight under General Mikhailovitch's orders and Serb peasants frequently join the partisans. Nevertheless, General Mikhailovitch's detachments have been predominantly Serbian and Orthodox, and those of the partisans predominantly Croatian and Catholic. (On both sides Moslem Bosnians and Catholic Slovenians add a further complication to the picture.) The peculiarities of the two movements are, to a large extent, due to the different political conditions which prevailed in Serbia and Croatia during the first phase of the Axis invasion. The Serbs were the first and the main victims. Belgrade lost its dominant position. Neditch—the Serbian Hacha—could not even hope to obtain the meretricious rewards that his Czech counterpart obtained. The Serbs could have no illusions, and this favoured the immediate resumption of national resistance. Geography allowed the

resistance to assume an armed character. At the centre of the movement of resistance stood the Serbian officer, whose outlook, most often, was pan-Serbian and reactionary. But he possessed one important advantage; he was steeped in the tradition of guerilla warfare, and at the same time able to analyse his tasks in rational military terms.

Croatia and the Invaders

In Croatia, events took an altogether different course. Croatian nationalism was in the throes of a grave internal crisis. Years ago, Matchek's Peasant party was its main exponent. The old programme, dating back to the period of Raditch's leadership, combined democracy with Croat nationalism. But in the years immediately before the war most of the Croat nationalists pinned their hopes on Rome and Berlin; and Croat nationalism was gradually transformed from a democratic into a pro-Fascist movement. In 1941, Zagreb greeted the Germans almost enthusiastically. The illusion of independence lured large sections of the Croatian middle classes and intelligentsia. The Peasant party disintegrated. One part of it joined Pavelitch's Ustashi—the Storm Troopers of Croatia. Some of its politicians joined the Yugoslav Government in exile. Matchek himself, with his mind divided between nationalism and democracy, withdrew from political activity. The honeymoon of Croatian "independence" was marked by an outburst of revenge on the Serbs, who fell victims to the most cruel massacres.

Only gradually did the Croats' illusion of independence fade; and only gradually did their resistance to the Axis develop. Because of the political degeneration of Croatian middle-class nationalism, the resistance had, at its inception, no crystallised centres of direction. It sprang up spontaneously, mainly among the peasants. As time went on, the peasant partisans came more and more under Communist influence, which was further strengthened by military assistance from Russia.

National, religious and social antagonisms were reflected and further accentuated by the tactical controversy. General Mikhailovitch's policy was dominated by his desire to economise his forces for the decisive and final phase of the struggle. Hence his reluctance to engage in frequent and costly skirmishes which bring upon the civilian population the most sanguinary reprisals. The policy of the partisans, on the other hand, can be described as a policy of permanent insurrection. This was the line recommended by local Communists as well as by propaganda from Russia. The fighting areas of the Chetniks and the partisans have frequently overlapped. Each side has tried to impose its policy upon the other; and the controversy has resulted in armed clashes between them, which have at times assumed the character of a civil war.

Towards a Unification?

The question is whether a unification of the resistance in Yugoslavia can be achieved, and how. Some recent developments suggest that unification may perhaps have become more than a possibility. Since the beginning of the year, the partisans have adopted a more moderate line. The attempts which were made at an earlier stage to set up rural Soviets have now been condemned by the partisans' leaders. Their new "six-point" programmes, published early in the year, speaks of "the inviolability of private property" and states

PICTORIAL CHARTS SERVICE

consists of 6 charts and maps, together with reference notes and sources, issued monthly.

treats facts and figures visually.

deals with matters of national and international importance.

will enhance the value of every book and map you already possess.

FORTHCOMING ISSUES:

Europe under Hitler
Education
U.S.S.R.
Health

SUBSCRIPTION RATES:

Ordinary edition (paper), £1 5s. 0d. a year. 12s. 6d. six months.
Library edition (card, including ring binder), £2 2s. 0d. a year.

PICTORIAL CHARTS, 76 Halford Street, Leicester

Sample Copy on application, price 3d.

* *The Seed Beneath the Snow*. By Ignazio Silone. Published by Jonathan Cape. 10s. 6d.

Shareholders not resident in enemy occupied countries, who have not received a copy of the Report and Balance Sheet, should communicate their present address to the temporary Head Office, 9, Gracechurch Street, London, E.C.3.

THE BUSINESS WORLD

Finance and Banking

Discount Market Consolidation

The trend towards integration and consolidation in the structure of the discount market is still making headway. The movement is twofold in character, in some instances taking the form of an influx of additional capital to individual firms, in others involving the fusion of previously independent houses. The latest manifestation of this trend, namely the deal between the Dominion Trust and Ryders Discount, belongs to the first of these categories. It is understood that negotiations are now proceeding for another such operation, namely the strengthening of the capital of one of the medium-sized houses which only recently announced a substantial increase of capital. Progress is also promised in the second category of consolidation deals, two of the private firms in the market being in process of arranging a merger.

The market has during the past week shaken off all traces of the credit stringency which for some weeks previously had never been wholly absent. The clearing banks have recovered their appetite for bills and have been buying July and August maturities freely. The Treasury, for its part, has seen fit to allow public departments' balances at the Bank to run off by £7,286,000 and the reduced immobilisation of credit has helped the credit position. The Bank return reflects the easing of the position in a rise of £14,048,000 in bankers' deposits, which have thus recovered to the comfortable level of £157,668,000. An increase of £10,530,000 in Government securities has provided a source of further help, this movement being offset by an expansion in the circulation to the extent of £2,569,000 only. The discount market received a 47 per cent allotment of its application for £90 million of Treasury bills last week, but in view of the banks' ready purchases of bills has found no difficulty in taking up this exceptional quota of new bills.

Scottish Bank Notes at Par

An agreement between the clearing banks was announced last week by which these institutions undertook to make no charge when accepting Scottish bank notes for encashment at any of their branches in England and Wales. In the past the clearing banks have as a rule cashed at par the notes issued by their own Scottish bank affiliations, but for other Scottish notes the practice had varied widely. In some cases a commission of sixpence was charged, though this was usually waived when the payer was a valued or importunate customer. The justification for making such a charge was that the notes in question were not legal tender in England, and that the recipient bank might be out of its money for a few days pending their return to Scotland. The matter has recently attracted more attention than usual owing to the influx into England of notes carried by Service men stationed in Scotland and spending their leave in England. Troops stationed in Scotland are normally paid in Scottish notes, and though local paymasters have been instructed to issue Bank of England notes to men going on leave to England, Scottish notes have nevertheless been finding their way south of the border in unaccustomed quantities. The fact that these notes could only be cashed at a discount at certain banks provided a convenient excuse for restaurants and other recipients of such currency to take a wholly excessive rake-off when accepting them. There is now no justification for such deductions.

Marine Underwriting in 1942—

The accounts of insurance companies now appearing show very substantial additions to marine premiums in 1942—in one or two instances premium income approaches

double the 1941 figure—coupled with a much less favourable underwriting experience. Both these features arise chiefly from the participation of British offices in war risks insurance transacted in the New York market. The entry of the United States into the war brought heavy losses on these commitments in the period of adjustment to the new conditions, the more so in relation to the low scale of premiums prevailing at the time. Corrective measures produced a reduction in losses in the latter half of the year, while upward adjustments in rates account for the rise in premium income. Many insurance chairmen make appropriate comment in their statements to shareholders. Thus Sir William Goschen, the chairman of the Sun (whose subsequent death will be greatly deplored in insurance circles), stated that "war risks premiums on USA shipping and the losses sustained on this section of the account were largely responsible for the increases (in premiums and losses)," and that he feared there would be "little or no profit on the 1942 account." Mr P. R. England, chairman of the Royal, indicated that in 1942 war losses falling upon their American business were "particularly heavy" and that the account "may well close with a debit balance." Mr R. Olaf Hambro, governor of the London, suggested that the 1942 account is not likely to show much in the way of profit, this being accounted for "by the incidence of war casualties consequent upon increased enemy activity following the entry of the United States into the war," and Mr Ernest Hicks, chairman of the Norwich Union, refers to the "very heavy drain" on the companies in 1942, particularly in America. How important an element in marine companies' accounts war risks insurance has become is shown by the disclosure, in Sir Frederick Rutter's speech to the London and Lancashire shareholders, that premiums on these risks reached £2,061,000, against £1,709,000 for the usual marine business.

—and the Outlook

A tribute to the vigorous steps taken by the American market to put its house in order was paid by Mr James L. Mounsey, chairman of the Scottish Union and National, who is hopeful that from now onwards the American business will once again be on a satisfactory basis. The likelihood that income from war risks insurance in America will materially decline in 1943 is mentioned in the review of Mr A. Harold Bibby, chairman of the Sea, the reason being that a large percentage of this business is now being underwritten by the USA Government. The general outlook for marine underwriters remains unsettled. Sir Bertram Hornsby, chairman of the Commercial Union, stated that "with the utilisation of shipping to its full extent and the delay of repairs up to the point where seaworthiness is affected, it is more than ever difficult to forecast the result of present hull underwriting." Mr R. Y. Sketch, in his statement to shareholders of the Phoenix, mentioned that the "paramount necessity of secrecy in regard to shipping movements and other developments arising out of the war, and in efforts to combat U-boats, combine to increase the difficulties of our underwriters in obtaining a reasonable spread of business," and fluctuating results must accordingly be expected. The same point is made by Mr P. R. England, chairman of the Liverpool and London and Globe, who said: "The full extent of the risks we are covering cannot obviously be known to us, and only time will show whether the present charges are adequate." Co-operation between underwriters in the home market is now at a high level, and Lord Bicester, governor of the Royal Exchange, made reference to the establishment of a joint cargo committee which has already accomplished useful work and from which further benefits are expected in the future; a joint hull committee has been functioning for many years and its influence has "greatly facilitated the

satisfactory transaction of hull business and tended to prevent rates from fluctuating too widely." The traditional conservatism of British insurance is manifested in the moderate transfers made to profit and loss in 1942 on account of 1941 and prior years and the general policy of maintaining strong funds specifically earmarked for marine contracts.

Hongkong and Shanghai

The management of the Hongkong and Shanghai Banking Corporation have succeeded in the extremely difficult task of presenting a balance-sheet of the position of the bank as on December 31st last. With the head office in Hongkong and 33 out of the 37 Eastern branches in the hands of the enemy, this document necessarily departs from its traditional form. The position it shows is remarkably strong, the liquid sterling assets amounting to £33,486,000

against which the current liabilities, other than those in the currencies of countries in enemy occupation, amount to £27,231,000. The directors report that they are unable to recommend the payment of a dividend for the report subsequent to June 30, 1941, in respect of which the last distribution was made, and they suggest that the consideration of any such dividend be deferred until the extent of the losses incurred by the bank in the Far East can be measured. The bank has learned that the Japanese are attempting to liquidate its business in Hongkong and Shanghai, and that the Yokohama Specie Bank has been entrusted with the task. The directors place great confidence in the prospects which China will offer after the war.

The country waits to be laced with railways, roads and airlines. Her rivers wait to be harnessed, her towns to be rebuilt and modernised, and her minerals to be mined. In this development and that of her foreign trade your bank will be ready and anxious to co-operate to the best of its ability.

Investment

Capital Profits or Liquidity?

The past three weeks have seen a further falling off in the number of bargains received, with a disproportionate decline in the money value of turnover, and a further general sagging of prices. According to the figures of *The Financial News*, fixed interest stocks have fallen almost steadily at the rate of two per mille per week. The same authority shows a net fall in industrial equities almost exactly equal in amount, but the daily figures have fluctuated considerably. As has been repeatedly stated, the effects of any but the most startling military developments have been insignificant, or, at the most, very short-lived. It is the money position that really directs the general trend of prices. Even so, it is a little surprising that, despite a number of increased dividends, prices should have fallen rather than risen for over a month. The popular explanation is that the Wings for Victory weeks have been considerably more successful than their predecessors in concentrating the attention of those with savings upon the necessity of lending them to the Government. This may well explain the weakness of some gilt-edged stocks, and the fact that more than one of these looks definitely more attractive than the existing "tap" issues. But does it explain why equity prices are sagging now, whereas a year ago they were fluctuating with a sharply upward trend? As the Wings for Victory weeks will shortly be over, there should be an early opportunity to test the validity of this argument. There is no doubt that it has some force, and, in a closed economy, where the total supply of equities is virtually static, a rise in values would be expected at any time when there is no incentive sufficiently powerful to neutralise the profit motive. This is, however, subject to one qualification: the relative attractions of possible capital profits and of liquidity. The equity index in question is now some 22.78 per cent above the level of a year ago, while the fixed interest figure is exactly what it then was. Evidently, the relative attraction of liquidity is much greater than at that time, since there has been virtually no increase in the general rate of dividends paid. Further, repeated discussions of post-war plans have attracted attention to the difficulties of the transition period, and have, so far, served to lay stress upon the uncertainties as to the reward which will be allowed to the private capitalist. It seems probable that the general level of equities will rise further, mainly by a further appreciation in so-called recovery shares, but partly by actual expansion in the physical capital, in the ownership of shareholders, employed in the war effort. The rise is, however, likely to be of a rather tentative character as compared with the movements which occurred in the second half of the three years 1940-42, when the rises were of the order of 30, 10 and 20 per cent respectively.

Raleigh-Rudge Deal

The news that the Raleigh Cycle Company has acquired from the Gramophone Company the whole capital of Rudge-Whitworth is interesting from more than one point of view. The Raleigh group has grown to very considerable importance, both by natural expansion and by the acquisition of other concerns. Thus, a further purchase is in line with past policy. To a considerable extent, the two concerns cover very similar ground, and the whole question, from the

standpoint of the Raleigh Cycle Holdings proprietors, is whether the terms were favourable or the reverse. As neither the existing capital of Rudge-Whitworth nor the amount of the purchase money is disclosed, no opinion can be formed on this point, but it is probable that the cost was not, absolutely, very great since, when taken over by the Gramophone Company in 1934, the total capital of Rudge-Whitworth was of the order of £250,000. The Gramophone Company is one of the operating concerns of Electric and Musical Industries. It was taken over to keep some of the plant of the group occupied during the trade recession which preceded the rearmament boom. It is doubtful whether it was ever intended as a permanent extension of the activities of the group into an entirely new field, and the sale reflects the expectation that the money will shortly be required for expansion nearer home. In view of the recent rumours of a large-scale amalgamation in the radio industry, it is not surprising that the view should be held that the funds are required to help finance the acquisition of one or other of the radio firms named in this connection. This may be so, but there is no need to look further than the extreme probability that new plant will be required for the equipment of a section of this country with one or other of the new inventions undergoing development in 1939, of which television is, perhaps, the most obvious choice.

Great Boulder Meeting

A circular, issued to shareholders of Great Boulder Proprietary, convenes a meeting for June 24th, the main purpose of which is to stay all proceedings in the voluntary liquidation. This will finally transfer control to the new board, and the important question is, therefore, whether this board is satisfactory to the proprietors as a whole. In addition to two groups of shareholders in this country, both represented in the negotiations by the Shareholders' Resumption Group, there have to be considered the Australian holders. The new board consists of Mr Alfred Sims, chairman, who also occupied that position on the Shareholders' Resumption Group, Messrs Coulson and Grundt, members of the shareholders' committee, Mr Binns, a mining engineer and chairman of Wiluna Gold, representing the Australian shareholders, and Mr Gardner, a chartered accountant and director of Sons of Gwalia. There is no mention of any representation of Mr de Bernales, former chairman of the company, but he has approved the composition of the board. There is a good deal of the internal history of the recent negotiations which is far from clear. In particular, it would be interesting, if, indeed, it is not crucial, to know the present voting strength of the original parties to the dispute. Shareholders should by this time have had an opportunity of forming an idea as to how far the present members of the board really represent their various points of view. If they are satisfied as to this matter, they will be well advised to vote for the stay of liquidation, since there is little hope of the affairs of the concern making any real progress while they are in the hands of a liquidator. What the new board can do to improve receipts in the conditions now prevailing in Australia it is difficult to say. Shareholders are naturally anxious to receive some payment out of recent profits, but the first duty of the board must be to assure that the foundations of future prosperity are soundly laid.

Anglo-Iranian Royalties

The wartime set-up and in particular the shortage of shipping, the manufacture of synthetic rubber from US oil, and the probability of very heavy requirements of oil in the Pacific area suggest strongly that production in Iran, and, so far as is possible, refining in that area will continue to expand rather than to contract. For these reasons, it seems likely that the new agreement under which the royalty payment to be made by Anglo-Iranian Oil is fixed at the 1940 minimum of £4,000,000 is favourable to the company, and, therefore, to Burmah Oil and the British Government, since both are large shareholders. The new agreement is for the duration of the war. It would be useful if that expression could be more precisely defined. Does it mean until actual hostilities cease in the major European theatre, or until there is official acknowledgement that a state of peace exists between the present antagonists in all theatres? Uncertainty on this point is, however, only one of several doubts which make it impossible to place any reliable valuation on the shares of this and other oil companies. As has been stated in these columns before, the most important of these may well prove to be the attitude of the Government and the oil companies to the wartime developments of refining technique which promise some revolutionary changes in the immediate post-war period. So far as is known, this country is not at present in any way equipped to play its part in these developments.

Company Notes

Cable and Wireless Results

The accounts of *Cable and Wireless (Operating)* for 1942 show, for the fourth year in succession, a rise in income from net message receipts, at £9,271,458 against £8,479,464, while total receipts are up rather more steeply at £9,907,530 against £9,075,649. Expenses show only a very moderate rise from £6,147,300 to £6,528,812. After charging £2,100,000 for taxation, equity earnings amount to £1,278,718 and there is £78,718 for addition to the carry forward after meeting the 4 per cent dividend. The accounts also disclose that a settlement has been agreed as to the amount of the outstanding EPT

	Years to December 31,		
	1940	1941	1942
Net message receipts	7,090,669	8,479,464	9,271,458
Total income	7,494,871	9,075,649	9,907,530
Maintenance fees, etc.	5,119,100	6,147,300	6,528,812
Taxation, EPT, etc.	...	2,840,000*	2,100,000
Earned for dividend	2,375,771	88,349	1,278,718
Dividend	1,200,000	1,200,000	1,200,000
Dividend, per cent.	4	4	4
General reserve	...	200,000*	...
Carry forward	1,613,607	301,956	380,674

* Sums provided after the date of the 1941 accounts.

liability and this has been retrospectively deducted from the accumulated carry forward. The total sum transferred in settlement of EPT and other charges amounts to £2,840,000. This should be spread over the period of the tax. The general effect of the provisions is that, for the period 1939-42 inclusive, £200,000 has been added to general reserve and £353,207 to the carry forward, after making all provisions for taxes and other matters arising out of the Treasury agreement. It is highly satisfactory that despite the implications of the Far Eastern losses, message receipts should have continued to increase. The balance sheet shows a rise in both debtors and creditors. There is also a jump in holdings of Government securities from £7,343,494 to

£9,021,990. It is possible that this holding has been reduced since the date of the accounts in liquidation of the outstanding tax liability of £6,225,000 against which only £4,250,000 had been deposited with the Inland Revenue authorities. It is the presence among liabilities of the substantial tax provision, against nil in 1941, which mainly accounts for the drop in net liquid assets from £7,567,924 to £5,759,709. Net loans to subsidiaries and associates of £195,965 have been replaced by net borrowing of £189,728. The total of reserves and surplus at £2,452,830 is substantial. The results reflect higher charges for some services and the increase in forces overseas. The settlement of the EPT liability clears up the wartime earnings position. The ordinary stock of the Holding company at 78½ ex dividend yields £5 2s. per cent., less tax at 8s. 11d.

J. Lyons Accounts

The full accounts of *J. Lyons* for the year to March 31st last show total disclosed profits, after virtually all charges, of £918,513 against £909,585. Dividends absorb the bulk of this, leaving £43,697, which raises the carry forward to £399,579. The statement of Mr Harry Salmon conveys the impression that the rise in distributable profits, despite all wartime difficulties, is mainly due to enforced saving in costs—the inability to employ more labour for which self-service has been substituted, and the zoning of road transport, which has cut petrol consumption to less than one-third of the pre-war figure. Apparently, an increased sale of Lyons' products in certain areas has to some extent compensated for their virtual exclusion from other areas. The chief feature of the balance-sheet is the piling up of cash items. There is a serious depletion of stocks, which stand at £2,277,682 against £3,259,214, while holdings of 2½ per cent National War Bonds are £300,000 higher at £425,000. This accumulation is due in part to the inability to maintain stocks and in part to the rise in unexpendable depreciation reserves. Cash holdings have also increased from £298,919 to £646,881. The rise of creditors from £2,496,987 to £3,052,976 is due to the fact that in the previous year tax reserve certificates were deducted from tax liability, while in the latest year they are shown in the balance-sheet at £1,291,650. The net change in liquid assets is a rise from £1,699,257 to £2,047,952. The accounts, emasculated as they are, convey the impression that the management has carried through a successful adaptation to wartime conditions and that the 20 per cent dividend is not in danger. Resources for eventual reconstruction are ample. The £1 "A" ordinary shares, at 110s. ex dividend, yield £3 12s. 9d. per cent.

Forestral Land Accounts

The full accounts of *Forestral Land* for 1942 show a rise in trading profits from £547,318 to £623,404. There is no fortuitous transfer from depreciation account as in 1941, but, despite this, total income is up from £643,175 to £661,424. Thus, the decline in equity earnings from 12.5 to 9.9 per cent is due solely to the jump in tax provision. This is up from £250,000 to £375,000, but £56,000 of the rise is due to the method of charging tax on the preference dividend. The 9 per cent ordinary distribution is maintained, and is paid less tax at some 7s. 8d. against 10s., in view of the operation of Dominion Income-tax Relief. The distribution is, however, narrowly covered by current earnings, and it is only possible to repeat the transfer of £50,000 to general reserve by bringing in £52,968 capital profit on realisation of an investment. The carry forward is raised from £144,409 to £163,879. There was an allocation of £4,900 to war charities after the date of the previous accounts. The directors say little of the trading experience of the group, but it is significant that consolidated net profits, before British taxation, rose from £779,365 to £808,522, the highest level since 1937. The balance-sheets of the group and of the company show a rise in cash items, due no doubt to an inability to maintain stocks at the customary level. There is increased investment in Government securities which, in the consolidated statement, including the acquisition of £280,000 of tax reserve certificates, rose from £871,244 to £1,385,121. Net liquid assets of the group rose from £5,068,133 to £5,647,051 and net loans of the company to subsidiaries are some £50,000 higher at £277,798. Consolidated stocks stand at £2,576,353 against £2,988,273, a level which should be adequate for current needs. Since the date of the accounts, Forestal Land has apparently disposed of an investment in an associated concern valued at £196,951. The valuation of the Hendon Research Laboratory has also

been written down from £6,068 to £1. The group has, of course, considerable tanning interests outside Argentina, and is not influenced by the economic stagnation in that country to the same extent as many of the Argentine companies. The £1 ordinary stock at 32s. ex dividend yields £5 12s. 6d. per cent, less tax, at some 7s. 8d.

Goodlass Wall Report

According to the accounts of Goodlass Wall and Lead, trading profits before income-tax in 1942 declined from £305,346 to £287,864. The latest figure, however, is struck after an undisclosed provision for EPT, which, the chairman, Mr Clive Cookson, states more than accounts for the apparent decline in earnings, which were up on the year. It is difficult to see what purpose this all too frequent policy of non-disclosure serves, apart from nullifying any value the accounts may possess for the shareholder. A reduction in income-tax by some £34,000 to £165,572 explains the rise in distributable earnings from £105,339 to £121,792. After meeting both the preference and preferred charges, and doubling the 1941 allocation of £5,000 to pensions fund, the board is raising the previous year's 6 per cent distribution to 7 by the addition of a 1 per cent cash bonus, last paid in 1939. This still permits the addition of £2,053 to the carry forward, now totalling £82,076. The consolidated balance-sheet shows stocks, valued at common base prices, some £55,000 higher at £1,128,235. New holdings of £276,500 of tax reserve certificates are explained partly by the disappearance of £150,000 deposit and a reduction in cash by some £60,000 to £258,757. Despite an increase of some £110,000 in the omnibus creditors item to £1,339,480, net liquid assets are some £64,000 higher at £1,629,810. A fall from £704,383 to £539,847 in net liquid assets of the parent company arises from the reduction of its inter-company liability on current account by some £150,000 to £564,494, the cash item, now totalling £46,897, bearing virtually the whole brunt of the transfer. The lead side of the business has found an adequate outlet for its products in official demand, but the paint producers have been affected by the restriction on building. The post-war possibilities of the group are good, especially in view of its widespread overseas subsidiaries, which continue to show satisfactory results. The 10s. ordinary shares, quoted at 14s. ex dividend, offer a conservative return of £4 16s. 6d. per cent.

Oil and the State

It is to be regretted that the board of Venezuelan Oil Concessions should feel obliged still further to curtail the profit and loss statement, with the result that development expenditure is concealed. The latest report reveals a rise of £12,481 to £1,966,616 in the 1942 net trading profit, provision for taxation having been made out of existing reserves. The gross profit for 1941 was £6,510,976, of which tax provision accounted for £632,000, and depreciation £787,269. Last year some £23,000 less was set aside for this latter purpose. For the fifth successive year, the ordinary dividend is made up to 16½ per cent by a final distribution of 11½ per cent, covered by earnings, after meeting the preference charge, of 18.2 against 17.1 per cent. The surplus of £42,111 against only £7,524 in the previous year raises the carry forward to £181,973. The chairman, Sir Andrew Agnew, discloses in his report the results of the protracted discussions with the Venezuelan Government. The upshot of the new agreement is that the company receives an extension to 1983 of its period of tenure, against 1957 under the old Aranguren concession, in exchange for rather heavier fiscal duties. Other than these, the most important charge appears to be the new income-tax, operative since January 1, 1943, which will require, in the case of VOC, some 12 per cent on profits. Numerous details, however, remain to be settled. Sir Andrew notes with satisfaction the President's statement on the introduction of the new Law of Hydrocarbons, that their capital will be more than ever guaranteed. Everything considered, this assurance, if reinforced by action, is in these difficult times not a small consideration in exchange for heavier taxation. The concern, according to the balance-sheet, appears well equipped for further operations, net liquid assets now totalling £1,703,301, a rise of over £420,000; British Government securities and cash, accounting for £2,313,136. As part of the new arrangement, the company has reduced its holdings in the Bolivar and Maracaibo districts by 131,300 to 412,761 hectares, which will save the company some Bs. 786,000 in the costs of conversion to the new law, which requires a payment of Bs. 6 on each hectare

The Baltimore and Ohio Railroad Company

SUMMARY OF ANNUAL REPORT FOR THE YEAR 1942

The annual report of the President and Directors covering operations of the Company for the year 1942 is being mailed to its stockholders.

RESULTS OF OPERATIONS

The audited income account of the Company for the year 1942, as compared with 1941, is summarized as follows:—

	Year 1942	Year 1941	Increase over 1941
Railway operating revenues	\$306,254,193.49	\$227,503,021.56	\$78,751,171.93
Railway operating expenses	204,241,198.76	160,918,417.51	43,322,781.25
Net railway operating revenue	\$102,012,994.73	\$66,584,604.05	\$35,428,390.68
Railway tax accruals (including Federal income)	25,054,012.87	15,780,105.71	9,273,907.16
Railway operating income	\$ 76,958,981.86	\$ 50,804,498.34	\$26,154,483.52
Equipment and joint facility rents—Net Debit	7,400,263.88	4,507,373.81	2,892,890.07
Net railway operating income	\$ 69,558,717.98	\$ 46,297,124.53	\$23,261,593.45
Other income	8,070,683.14	8,306,748.01	363,935.13
Total income	\$ 78,229,401.12	\$ 54,603,872.54	\$23,625,528.58
Miscellaneous deductions from income	1,685,984.95	2,004,180.92	D 318,195.97
Income available for fixed and other charges	\$ 76,543,416.17	\$ 52,599,691.62	\$23,943,724.55
Fixed interest and other charges	19,863,257.08	20,141,033.67	D 277,776.59
Income available for other purposes	\$ 56,680,159.09	\$ 32,458,657.95	\$24,221,501.14
Other interest charges contingent only as to time of payment	11,356,562.50	11,366,775.00	D 10,212.50
Audited net income	\$ 45,323,596.59	\$ 21,091,882.95	\$24,231,713.64

(D) Denotes decrease.

This summary does not give effect to an appropriation for capital fund which is deductible from "Income available for other purposes" and before contingent interest charges; to the appropriation from net income for sinking fund; nor to certain adjustments to conform to the provisions of the Modification Plan of August 15, 1938, all of which are dealt with fully in the annual report.

There was a net decrease of \$11,572,108.85 in outstanding interest bearing obligations made during the year, including \$3,000,000 of Cincinnati, Hamilton & Dayton R. R. Co. General Mortgage 5% Bonds which matured June 1, 1942.

The recorded investment of the Company in property used in transportation service as of December 31, 1942, is \$1,005,867,783.46 against which depreciation has accrued in the amount of \$118,647,600.50, leaving the net recorded value \$887,220,182.96.

Through the medium of a conditional sale agreement three multiple-unit Diesel electric freight locomotives were acquired and placed in service during 1942 and there were also acquired and placed in service 687 new steel freight-train cars. To accommodate increased traffic 50 caboose cars were constructed at Company shops. Four locomotives, two passenger-train cars, 81 freight-train cars, and some work equipment were rebuilt and modernized at Company shops. During the same period 28 locomotives, two passenger-train cars, 173 freight-train cars and some miscellaneous equipment were retired from service because of obsolescence or other causes.

In March, 1942, the Company placed orders for early delivery of 1,000 box cars and 1,000 hopper cars, each of 50 tons capacity, but because of restrictions emanating from the War Production Board this equipment was not allotted to the Company; however, under a directive recently issued by that Board, the Company is permitted to acquire 525 composite hopper cars which are expected to be received some time in 1943.

The Directors of the Company authorized the acquisition of three multiple-unit Diesel freight locomotives and 25 Diesel switching locomotives, and it is now anticipated that, pursuant to orders placed with manufacturers, a number of these units will be delivered during 1943. Recently, orders were placed for 20 heavy freight locomotives which have been scheduled for delivery during the closing months of this year.

Ten Diesel switching locomotives were ordered last year for service within the Chicago switching area, six of which were delivered in 1942 and four in the early months of this year, and the acquisition of nine similar locomotives, for service in the Staten Island area of New York City, has been authorized.

Railway tax accruals, an-uncontrollable item of expense, for the year 1942 aggregated \$25,054,012.87, an increase over 1941 of \$9,273,907.16, or 58.77%, of which \$18,085,239.16 is for Federal income, pay roll and capital stock taxes, and the remainder, or \$6,968,773.71, for state and local taxes. Taxes for the year absorbed 24.56 cents out of each dollar of net operating revenue and were equivalent to \$4.00 and \$8.85 per share respectively on Company's preferred and common stock outstanding, on which no dividends were paid and, together with miscellaneous tax accruals, were equivalent to \$463.51 per employee.

R. B. WHITE, President.

For the Child's future —
consider a
MAGNA CARTA POLICY
which affords protection should the
father die during the child's minority.
NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE
Founded 1835
48 Gracechurch Street, London, E.C.3

converted. At the current price of 35s. 7½d. ex dividend the 13s. 4d. ordinary shares offer the reasonable yield of £6 6s. 3d.

June Kaffir Payments

Reductions in June kaffir dividends have in a number of cases exceeded expectations. Many of the cuts have, of course, been long discounted, and there was no noticeable effect on the markets except where reductions had not been anticipated. The analysis of the last four half-yearly payments made by the *Central Mining-Rand Mines*, *Union Corporation* and "*Johnnies*" groups, provided in the table in the next column, makes it plain that the latest reductions are not generally more severe than those which preceded them. The cuts made by *Central Mining-Rand Mines*, as in 1941 and 1942, are more drastic than those made by the two other groups, while *Union Corporation* again makes the best showing. For the first time since 1935, there is a reduction in the Rand Mines dividend of 6d. to 3s. 6d. for the half-year. Thus, ten mines of the *Central Mining-Rand Mines* group announce reductions as against December, 1942, and only two, Modder East and Rose Deep, show no reduction over the past two years. There are no increases, and Geldenhuis Deep has passed its dividend, which amounted to 1s. 6d. a year ago. The results of the "*Johnnies*" group are little better. The cuts are in most cases smaller, but only Witwatersrand Gold has maintained its dividend. Langlaagte, as was to be expected, pays nil, against 4½d. a year ago, and there is again no payment from Van Ryn Deep. The *Union Corporation* announcements make a striking contrast. There is only one reduction, from 9d. to 7½d.—the same as a year ago—for Van Dyk. Three of the distributions are constant, and there is again a 3d. increase in the Grootvlei dividend to 2s. 9d. The reductions made by the other two groups are easy to explain. The shortage of labour and materials in the Rand is now serious, and has in many cases, notably those

of Langlaagte and Van Ryn, reduced tonnage milled below a profitable level. The rise in the Grootvlei payment is due to its rapid expansion. The stability of the remaining *Union Corporation* dividends may be due to the development of

DIVIDENDS PER SHARE

Year ending December 31	Dec., 1941	June, 1942	Dec., 1942	June, 1943
<i>Central Mining-Rand Mines:</i>				
Rand Mines (5/-)	4/-	4/-	4/-	3/6
City Deep (4/-)	2/6	2/6	2/6	2/-
Consolidated Main Reef (4/-)	2/6	2/6	2/3	2/-
Croon Mines (10/-)	7/6	7/-	6/-	5/-
Darban Deep (10/-)	1/9	1/9	2/3	1/9
E. Rand Prop. (10/-)	1/9	1/9	1/9	1/6
Geldenhuis Deep (17/6)	2/-	1/6	-/9	Nil
Modder B. Gold (5/-)	1/3	1/-	1/-	-/9
Modder East (4/-)	3/6	3/6	3/6	3/6
New Modder Gold (10/-)	1/3	1/3	1/-	-/9
Nourse (4/-)	2/3	2/3	2/-	1/6
Rose Deep (4/-)	2/-	2/-	2/-	2/-
<i>Union Corporation:</i>				
East Geduld (4/-)	6/3	5/6	5/6	5/6
Geduld Prop. Mines (4/-)	6/9	6/3	6/-	6/-
Grootvlei Prop. Mines (4/-)	2/-	2/3	2/6	2/9
Marievale (10/-)	-/6	-/6	-/6	-/6
Van Dyk Consol. (10/-)	-/10½	-/7½	-/9	-/7½
<i>"Johnnies" Group:</i>				
East Champ (2/6)	-/10½	-/9½	-/9½	-/7½
Gold C.M. Areas (5/-)	1/9	1/7½	1/7½	1/6
Langlaagte Estates (4/-)	-/6	-/4½	-/3	Nil
New State Areas (4/-)	2/4½	2/-	2/-	1/9
Randfontein Estate G.M. (4/-)	2/3	1/10½	1/10½	1/9
Van Ryn Deep (4/-)	1/-	-/6	Nil	Nil
Witwatersrand G.M. (4/-)	2/4½	1/9	1/9	1/9

* Financial Year ends June 30.

subsidiary interests such as the production of small arms in the mining workshops. It is unlikely that kaffir dividends in general have yet reached their war time trough, and the experience of *Union Corporation* appears to be exceptional.

Industry and Trade

Industrial Research

There has been a refreshing tendency in industry lately to stress the importance of research, both theoretical and applied. If Great Britain is to remain in the forefront as an industrial power, organised research on a much bigger scale than before the war will be essential. In the past, this country has been an outstanding contributor to scientific knowledge and to its application in the workshop. With certain notable exceptions, however, progress was less marked during the inter-war years than it had been, in relation to other industrialised countries, especially in the application of new ideas to the factory. There is no reason why Great Britain should not be able to hold once more a pre-eminent position as a source of new ideas and in their practical application in industry. If present indications are any guide, the stage seems to be set for rapid progress after the war. The vista of post-war possibilities has already prompted a number of industries and professional organisations to formulate plans designed to stimulate abstract and applied research and to establish closer contact between the two in order to speed up the practical application of new ideas. Two recent examples are the proposal for the establishment of a Housing Production Council and for the setting up of a British Electrical Research Board.

The Cost of Houses

During the debate on post-war building in the House of Lords on June 2nd, Lord Portal, Minister of Works, drew attention to the enormous rise in building costs which is illustrated by the very high tenders received by the Ministry of Health for farm cottages. (These are quoted on page 786.) Lord Portal emphasised the need for bringing costs down after the war by working at greater speed with new methods. He has already taken steps, he declared, to ensure that no means of making economies are neglected. A Controller of Experimental Building Development has been appointed at his Ministry to test new ideas and methods. There is scope for a substantial reduction in real costs, especially if the Government succeeds in its aim of ensuring a large and

uninterrupted volume of building for a period of ten years after the war. This is the conclusion reached by the Committee for the Industrial and Scientific Provision of Housing—a private organisation—in a first report on housing production. In the view of the Committee, there is a strong case for the extension of the factory or mechanised production of parts of houses and the development of assembly methods. The Committee recommends the creation of a Housing Production Council, drawn from all the trades and professions in the building industry, but "independent of any specific interests," to promote and co-ordinate technical research; and to assist in the development and adoption of new production methods by helping to set up the necessary organisations, by spreading the knowledge of new methods and improvements, and by encouraging collaboration between the trades and professions engaged in building. The resources that this country will be able to devote to building after the war are not unlimited; and the volume of construction will depend in no small measure on the cost of houses and other buildings in terms of working hours and materials.

A British Electrical Research Board

The proposal for a British Electrical Research Board comes from the Post-war Planning Committee of the Institution of Electrical Engineers. In the view of the Committee, scientific research, "this vital instrument of national welfare," has not been used to the greatest advantage in this country, "owing largely to the absence of any national co-ordination of effort." At present scientific research for the electrical industry is largely carried out by the individual components of the industry, assisted by the Electrical Research Association and by the National Physical Laboratory; research is also undertaken in large laboratories under the Service and Supply Departments. True, the Electrical Research Association acts as co-ordinating agency, but its activities cover only about 10 per cent of the electrical research work carried out; moreover, the fact that it conducts its own research is held to render it unsuitable to

function as the focus of research for the industry as a whole. The British Electrical Research Board has therefore been proposed as the appropriate "instrument to secure the maximum progress in the application of scientific research in the electrical industry." The Board would not itself engage in research, but would establish contact between the various laboratories, act as a kind of clearing house for information, and foster the training of personnel. The Committee also proposes that

As a condition of membership of the Board, constituent organisations would be required to undertake that all their patents would be available for the use of the members of the Board on a Licence of Right basis, subject, of course, to existing commitments.

The Committee holds, however, that if post-war industry is expected to be "on the same highly competitive basis as heretofore," there would seem to be little scope for the "beneficial organisation of research." Here it treads on highly dangerous ground. The elimination of competition in the electrical industry would be a high price for the establishment of a research board.

Railway Wages Dispute

The latest development in the railway wages issue has been the decision reached by the unions last week to appeal direct to the Minister of War Transport rather than to set in motion the normal machinery of arbitration. The reasons that led the unions to adopt this course are, first, the deadlock that has arisen between the workers and the Railway Executive Committee. The three unions at their meeting in March presented the Committee with a claim for an all-round increase of 10s. a week; the companies made a counter-offer of 3s. 6d., which the unions have rejected. Secondly, the unions do not want a repetition of their experience with the Railway Tribunal last year and hope that the appeal to the Government may bring about a speedy decision of their claim. Their action represents a departure from the traditional policy of the railway unions, which have always adhered to the negotiating machinery. It is bound to have repercussions on other industries and, in the immediate future, on the passenger transport workers, whose claim for increases in their war wages and improved working conditions was recently rejected by a special tribunal. In a sense also it presents a challenge to the whole machinery of national arbitration in wartime, by which the Minister of Labour sets great store. The whole position seems to emphasise the need for the Government to arrive at some decision in regard to wages policy, which so far it has failed to do.

Quality v. Quantity

In the production of goods there is usually a choice between producing a large quantity of poor quality goods and a smaller quantity of better quality articles. It has been well proven that, for example, a good suit will outlast two or three of shoddy quality. It appears that, at any rate for some articles of utility clothing, the former policy has been adopted by the Board of Trade. Complaints have been strongest about socks and stockings. In answer to a question in the House of Commons last week, it was said that steps were being taken to improve the quality of socks. Better utility stockings are already appearing. Over the whole range of utility clothing it should be considered whether greater economy could not be achieved by improving quality, even at the sacrifice of quantity. A smaller clothing ration would cause no hardship if coupons could always be exchanged for good quality articles. That there is a demand for quality is proved by the greater expenditure per coupon which has been lately evident.

Agricultural Wages and Hours

The Agricultural Wages Board has made certain changes in the Country Minimum Wages Orders which come into operation on June 20th. Hours are to be reduced, where necessary, so that they do not exceed 52 per week in the eight "summer" months and 48 in the winter, on an average over the whole year. The chief new provision is the extension of the principle of the guaranteed minimum weekly wage to women agricultural workers in every county. This minimum is to be 45s. a week for women over 18

for a week of 50 hours during eight months of the year, and 48 hours in the remaining (winter) months. In five areas the hours worked are fewer, and the minimum wage will be correspondingly less. There is no provision for an increase in the wages of adult male workers. For juvenile males, a minimum weekly wage of 56s. for those aged 20-21 years is proposed, 52s. for 19-20-year-olds, 48s. for 18-19-year-olds, and proportionately lower rates for younger workers. Standards are laid down for girls, and for children under 14 it is proposed that the rate should be 5d. an hour. Two rates of overtime have been decided upon: For the five week days, these will be 1s. 5d. per hour for men and 1s. 1d. for women; for overtime on the weekly half-day, Sundays and public holidays, men will get 1s. 9d. per hour and women 1s. 4d. Rates for casual and part-time workers will be at least *pro rata* to the appropriate weekly minimum. None of the proposals prejudice the paying of higher rates. The minimum weekly wage for women will be welcomed, though it is substantially below that for men; the national minimum for male adult workers was first fixed in July, 1940, at 48s. a week, and it was raised to the present figure of £3 in December, 1941. A new claim for the minimum to be raised to £4 a week has been made and will be discussed by the Wages Board early in July.

Points Foods Distribution

The general principles of the rationing of foods by the points system are well understood. The ration per head is fixed for each four-weekly period in the light of the quantity of food which can be released. The retailer converts the points he collects into vouchers, by the surrender of which he can replace his stocks; thus his turnover depends on how much custom he can attract. The main advantage to the consumer is freedom of choice, both of food and of retailer. The scheme was begun by putting retailers on a roughly equal footing as far as some points foods were concerned. Lend-Lease canned foods, which were new to the British market, were allocated according to consumer registrations for other rationed foods. Canned fish was distributed according to pre-war trade, with allowances for changes in population; the same applied to canned fruit, tomatoes and peas as they were included. Consumer demand controls the flow of points rationed foods to the shops, but occasionally some friction arises, and the Ministry of Food has adopted various devices to smooth the path of equitable distribution. Difficulties sometimes arise through cautious buyers sticking to "safe lines," which always have a sure sale, and in this way some shops become relatively overstocked in one article at the expense of others. To overcome this tendency, it is necessary to limit allocations of some foodstuffs. Dried fruit, for example, is now allocated according to sugar registrations, although a retailer is not compelled to take up his full ration. When the points value of different foods is changed, as it often is, to equate supply and demand, retailers are not normally compensated for loss of points; nor are some of their points cancelled when a change reacts in their favour. In certain circumstances, however, compensation can be claimed, as in the case, recently, when home canned fruit was removed from points rationing. For the retailer, points rationing means that his buying skill, which might have deteriorated if all foods were allocated on the basis of fixed rations, is allowed full play. His turnover and custom depend more on his ability than on any other factor.

Co-operative Reconstruction

Those responsible for the direction of the retail co-operative societies in Britain are seriously concerned about trading prospects after the war. The rivalry of multiple shop organisations is being felt in many departments and the registration of customers has stemmed the former influx of members. Many societies have been unable to maintain their customary level of dividends on purchases. The practice is growing of declaring a lower dividend, plus a small bonus; but, as rationing continues and supplies are

CANADIAN PACIFIC RAILWAY COMPANY (Incorporated in Canada with Limited Liability).—Dividend Notice. Preference Stock. At a meeting of the Board of Directors held to-day, a dividend of Two per Cent. on the Preference Stock in respect of the year 1943 was declared payable on 3rd August, 1943, to stockholders of record at 8 p.m. on 30th June, 1943. By Order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, 14th June, 1943.

COMPANY MEETINGS

HONGKONG AND SHANGHAI BANKING CORPORATION

HEAD OFFICE AND MANY BRANCHES IN ENEMY HANDS

MR A. MORSE'S STATEMENT

The ordinary general meeting of the Hongkong and Shanghai Banking Corporation will be held at Winchester House, Old Broad Street, London, E.C., on the 30th instant.

The following is the statement of the chairman (Mr A. Morse) circulated with the report and accounts:—

The balance-sheet as at December 31, 1942, which is before you today, has been drawn up on lines which are unprecedented in the history of the bank, but when it is understood that the head office in Hongkong and 33 out of 37 of our Eastern branches are in the hands of the enemy, I am sure that the necessity for departing from the customary form will be fully appreciated.

Prior to the outbreak of the war with Japan, steps had been taken to enable the head office, if necessary, to be transferred temporarily to Singapore. However, events progressed with such rapidity that this move became impossible, and our chief manager, Sir Vandeleur Grayburn, was unable to leave Hongkong. On December 13, 1941, a message was received from the Colonial Office stating that information had been received from the Governor of Hongkong that it was thought best that the head office of the bank should be temporarily transferred to London, and it was Sir Vandeleur Grayburn's wish that I should take charge as acting chief manager. On December 16th the Secretary of State for the Colonies gave me the necessary authorisation of His Majesty's Government to carry on the affairs of the bank from this country. In order to regularise the position of the bank it was necessary that an Order-in-Council should be passed amending the bank's ordinance and regulations. This Order-in-Council was finally passed on January 13, 1943, with retrospective effect as from December 16, 1941.

DIFFICULTY OF PRODUCING A BALANCE SHEET

In normal circumstances, accounts as at December 31, 1941, would have been prepared in Hongkong for submission to the members. But for several days before the fall of Hongkong we were cut off from the colony where all the records and data which are necessary for the building up of accounts were maintained. Further, as the enemy advanced, more and more of our Far Eastern branches fell under his control, and in the disruption of our business and in communications which followed, returns and information which might have proved sufficient for us to prepare approximate accounts as at December 31, 1941, never reached us in London.

After close examination of the scanty information available here had been made by the executive of the bank and the auditors, your board decided that any attempt to establish the position as at December 31, 1941, would prove fruitless, and all efforts were then concentrated on obtaining the figures and other information from abroad which would be sufficient for the purpose of producing a balance-sheet as at December 31, 1942.

In view of the fact that all branch returns were sent, in the normal course of business, to Hongkong, our great difficulty was in establishing the position of the occupied branches as at the last dates on which business was carried on under the bank's own management. The task of obtaining figures and information relating to our Far Eastern business has proved to be a long and a difficult one, but as time has gone on we have been able to surmount the major difficulties which precluded us from

publishing a balance-sheet at an earlier date. It will be observed that the currency liabilities in occupied countries and the assets unrealisable owing to the war are shown in totals only, and as they are incapable of valuation under present conditions, there is no point in showing them in greater detail. Although the work involved in the dissection of the records available has occupied a considerable time, it was essential that this should be done in order that the important question of the bank's position in the currencies of free countries should be established. I think that you will agree that the figures before you of the bank's resources in free currencies show a position of great strength and liquidity.

DIVIDEND DECISION

Although the balance-sheet is not presented to you in the usual complete form and it has been found impossible, owing to the difficulty of ascertaining the extent of the losses incurred in the Far East, to prepare a profit and loss account which would even remotely reflect the results since December 31, 1940, the fact that we are able, in all the circumstances, to publish a balance-sheet at this date is a considerable achievement. Your board regret that they are unable to recommend the payment of a dividend for the period subsequent to June 30, 1941. I feel sure you will agree that the only prudent course open to us is to defer any question of dividend until we are in a position to measure the extent of our losses incurred in the Far East as the result of enemy occupation.

FUTURE OF CHINA

In past years it has been the custom for your chairman to review at some length in his speech to members the political, currency and trade conditions in the Far East. It will be obvious to you that this is impossible this year, as much of the trade concerned is at present controlled by the enemy. Such information as we have appears to show that the Japanese are doing their best to exploit those territories in their occupation without regard to the welfare of the local population.

But in China, where we are most closely concerned, there is a ray of sunshine in the oft-quoted tenacity and recuperative powers of the Chinese which qualities have been confirmed once again during the present war. All friends of China will have admired her resistance for over five years against an aggressor so much superior in modern war equipment must hope that the day is not far distant when, with the material aid of her allies, she will be able to sweep the enemy out of China. Meanwhile, as an indication of the harmony between China and her Allies, it was welcome news that Great Britain and the U.S.A. have signed treaties with the Chinese Government, immediately renouncing their extra territorial rights and privileges in China. This will open up a new era in the relations between the Foreign Powers and China. During the years of the Concession period, large modern cities and great ports have been built up on what formerly were mud swamps. The Municipal Governments of Shanghai, Tientsin, Canton and Amoy have been models for any community. Generations of foreigners of every nationality have co-operated with the Chinese in devoting their energy, enterprise and administrative ability to the success of these communities. We feel

confident that China will give full recognition to these past services.

China, we may be sure, is destined to play a big part in the post-war world. The country waits to be laced with railways, roads and airlines. Her rivers wait to be harnessed, her towns to be rebuilt and modernised, and her minerals to be mined. In this development and that of her foreign trade your bank will be ready and anxious to co-operate to the best of its ability. In this connection I may mention that the bank has opened an office in Chungking.

OTHER COUNTRIES

Such is the position as far as China is concerned. But what of the other territories in which we are interested but from which we have been temporarily excluded—Hongkong, Malaya, Burma, Java, and the Philippine Islands? All will require a reconstruction programme which will involve heavy demands on finance.

Though these are dark days for our bank with our earning power and powers of service very greatly curtailed, I firmly believe that we have good reason to look forward with confidence to the time when we will again take a prominent place in financing the requirements of those territories with which we have grown up.

Meanwhile, our offices operating in India and Ceylon are participating to a satisfactory extent in the large volume of trade emanating from these countries, and the clearing up of our Rangoon office is proceeding at Simla. Our offices in London, New York and San Francisco are mostly occupied in dealing with matters arising from the position in the Far East and endeavouring to dispose of cargoes in which we have a financial interest.

Shareholders not resident in enemy occupied countries who have not received a copy of the report and balance-sheet should communicate their present address to the temporary head office, 9, Gracechurch Street, London, E.C. 3.

DUBARRY PERFUMERY COMPANY, LIMITED
A WONDERFUL YEAR
RECORD TURNOVER

The twentieth annual general meeting of the Dubarry Perfumery Company, Limited, was held on the 9th instant, at the Royal Pavilion, Brighton. Mr. H. W. K. Pears (the chairman) presided.

The Chairman said: The turnover for the year far exceeded any previous record. The profit, which rose from £60,811 in 1941 to £104,310 in 1942, an increase of over 71 per cent., also constitutes a new highest level since the formation of the company.

Those shareholders who subscribed for the Ordinary one shilling shares have in the twenty years since the foundation of the company received £4 7s. 6d. for every rs. invested, an average of 43½ per cent. for every year of the company's existence, including the four war years. The extent of our liability to excess profits tax has at last been agreed at £53,920 for the period up to December 31st, 1941. The E.P.T. for 1942 has not yet been settled with the Inland Revenue, but we estimate it to be £88,800 for the year, making a total up to December 31st, 1942, of not less than £142,720. The extent of our contribution to the national revenue will be realised if one considers that the total capital of the company is £200,000, so that a sum equal to more than seven-tenths of the capital will have been paid by your company to the Exchequer in addition to satisfying the heavy demands of income-tax.

E.P.T.

We may derive satisfaction from the fact that, on our present basis of payment of E.P.T., should a period arise when we are making neither a profit nor a loss, we should recover from our E.P.T. fund sufficient to pay the 7½ per cent. Cumulative Preference and 15 per cent. Ordinary dividend for a

period of over six years, and, as far as we are able to judge, this compulsory insurance fund will continue to grow. We suggest that this is a safe and desirable position on the attainment of which we are to be congratulated.

In the event of no necessity arising for claiming any refund of E.P.T., the Chancellor of the Exchequer has pledged his word that 20 per cent. (i.e., £28,544), less income-tax, of our excess profit payments of £142,720 may be carried to a reserve for after-war reconstruction and development.

Although the sales in our luxury goods are severely controlled, the volume of business which can be transacted by our subsidiary companies Quality Chemists, Limited, the Standard Tablet Company, Limited, and Laking Chemical Company, whose products are purely medical, is limited only by the amount of energy we can throw into it, combined with success in fighting against the weariness that naturally ensues from working incessantly at extreme pressure without immediate reward. The only recompense we at present receive is the knowledge that we have done a good job in spite of the most adverse circumstances, and that we are piling up an insurance fund which we hope we will never have occasion to draw upon. ●

THE OUTLOOK

Owing to the necessity of diverting to war purposes alcohol, glycerine and many other products, which we formerly largely used, a large portion of our very valuable stock of foreign perfumery raw materials is temporarily frozen. The freezing of these stocks may prove a blessing in disguise; the temptation of disposing of them in manufactured goods does not exist, and since for a long time after the oppressed nations are freed from their present tyranny there must be a long period of recovery and reconstruction before they can start marketing the natural products which our climate prevents us producing here—these carefully husbanded products will later on enable us to reap a golden harvest instead of waiting anxiously for the flow of imports to be resumed.

We are indeed very fortunate in being able to switch over our activities to the production of goods which have had the outstanding results on the company's profits I have outlined, and you may rely on the fact that we are producing only goods which will have an enormous goodwill value and a continuous and increased demand after the war.

My personal thanks, and I am sure I may tender those of the shareholders, to the entire staff whose tireless efforts have produced the results I have set before you. The fact that I can tell you that I have personally contributed little to their attainment will be a source of satisfaction to you, since it is comforting to know that the younger generation is able in these difficult times to run alone.

The report was adopted.

VIROL LIMITED

The forty-third annual general meeting of Virol, Limited, was held in London, on the 16th instant. Mr. L. F. Matthews, general manager of the company, who presided, said:—

During the year, in common with most manufacturing companies, we have experienced the difficulties inherent in war-time trading. Nevertheless, I am pleased to say that we have been well able to maintain our position.

The gross profit on trading is slightly down, reflecting reduced output, whilst operating expenses have been reduced, leaving us with a net profit some £2,000 higher than last year. The Preference dividend for the year has been paid, and the Directors now recommend the usual 10 per cent. dividend on the Ordinary shares, and increasing our carry forward by £800.

The report and accounts were adopted.

SMITH'S POTATO CRISPS (1929) LIMITED

SIR HERBERT MORGAN'S SPEECH

The fourteenth ordinary general meeting of Smith's Potato Crisps (1929), Limited, was held, on the 16th instant, in London, Sir Herbert E. Morgan, K.B.E. (the chairman), presiding.

The chairman, in the course of his speech, said: The profit for the year is £203,459, as against £212,268 last year, but after deducting the smaller provision necessary for taxation, the net profit at £83,761 is slightly higher than the net profit of £80,065 shown last year. The directors propose that a dividend of 20 per cent. and a share bonus of 5 per cent. should be paid, the same as last year.

We have had another satisfactory year in our subsidiary company, Smith's Potato Estates, Limited, and a free of tax dividend of £18,000 has been brought in from this source, the same as last year.

UTILISATION OF HOME GROWN FOOD

Many of us realise that the activities of Lord Woolton have been directed towards the wiser utilisation of food grown in this country. This policy should prove to be of lasting benefit to the whole community and should tend to make these islands less dependent on foreign produce. My excursion into these problems could not have been made unless I was convinced that Smith's Potato Crisps could pass any test connected with real nutritive value, attractiveness, economy and convenience in use. They rank in the country among those articles that are in the forefront of good food.

It must be remembered that for 2d. a packet we provide a nourishing meal, perfectly prepared, which can be eaten hot or cold. Crisps can be taken with any meal, consumed at the desk or bench, on a seat in the park, or they can help stock the haversack, bicycle bag, picnic basket or

luncheon box. One finds it difficult to conceive any other national product that can make these claims or are such a standby to so many households, particularly under present conditions of rationing.

The company supplies every section of H.M. Forces as well as men and women engaged in Civil Defence, and vast numbers of munition workers. The supply is quite inadequate, but we have been attempting to persuade the Government that as we are so fully co-operating in their policy of increasing the consumption of potatoes they should extend further assistance to us. Given the facilities, so eager is the demand for Crisps that we believe we could utilise a further 100,000 tons of potatoes a year in their production. The shortage of supplies has emphasised the great demand of the public for our Crisps and has brought much pleasing evidence of their popularity.

DEVELOPMENT OF AGRICULTURE

Our valuable estates in the Eastern Counties continue to prosper and are of great service to our business in general. We are glad to be playing our full part in the recent wonderful development of the agricultural industry of Great Britain in which the Government are rendering vigorous and full support. Fears are sometimes expressed as to the continuance of Government support, but I feel this is a matter largely in the hands of the people of this democratic country. The people must never let their soil down and must take a whole-hearted interest in supporting any steps or legislation intended for its benefit.

We must all express our gratitude to our managing director, Mr. Frank Smith. The founder of the business has devoted the whole of his great capacity and enthusiasm to its development for nearly a quarter of a century. His courage never wavers and our difficulties serve to bring out his resourcefulness.

The report was adopted.

Speaking at the 74th Annual
(Ordinary General) Meeting of the
LONDON & MANCHESTER
ASSURANCE COMPANY LIMITED

on June 16th, 1943

The Chairman, Mr. A. H. DAWES
reported:

- ★ Since the beginning of the war we have invested a total of £4,671,800 in the new War Loans.
- ★ Total funds passed the £25 million mark.
- ★ Our holdings of British Government Stocks exceed £10 million and represent 40.8 per cent. of our total invested assets.
- ★ Death and survivorship claims paid during the year exceeded £1½ million. Total war claims paid since the beginning of the war, £234,877.

Chief Office: 50 FINSBURY SQUARE, LONDON, E.C.2

FORD MOTOR COMPANY, LIMITED

BIG CONTRIBUTION TO THE WAR EFFORT

LORD PERRY'S REVIEW

The fourteenth ordinary general meeting of Ford Motor Company, Limited, was held, on the 16th instant, at the registered office, 88, Regent Street, London, W.1.

In the absence of the Right Hon. Lord Perry of Stock Harvard, K.B.E., LL.D., the chair was taken by the Hon. Roland D. Kitson, D.S.O., M.C.

The following is Lord Perry's statement circulated with the report and accounts:—

The death of Mr Edsel Ford has been announced. I knew that he had been ill for some weeks, but the news of his decease, in the prime of his life, is a great blow to me personally and to the company. He was a man of the highest honour, possessing outstanding ability and charm. I am sure all members will desire me to express their deepest sympathy to his wife and family and to Mr and Mrs Henry Ford in this sudden heavy loss.

LIQUID POSITION FURTHER STRENGTHENED

As was the case last year, I am following accepted war-time practice in issuing a statement instead of addressing you from the chair. This year additional restrictions are imposed by official limitation on the amount of paper which may be used for the accounts, directors' report and chairman's statement. My comments, therefore, are brief. The company's financial position is fully disclosed in the annual accounts and directors' report now in your hands. These documents record the results of a year's hard work and constant endeavour which have been instrumental in making substantial contribution to the national war effort. It is the policy of the directors to conserve and augment the already strong liquid position. In view of the immense difficulties and demands which must inevitably surround post-war reconstruction, I am sure you will endorse and approve the wisdom of this policy.

We have under our direction in the United Kingdom an executive and production staff of men and women which is three times the number of our peace-time establishment, and I take this opportunity to record appreciation of complete and unswerving loyal and untiring service during a period when national emergency circumstances and conditions have been very exacting. We have 2,953 employees now in the Services. I deeply regret having to report that 65 employees have given their lives in the nation's service and I am sure you will wish to join with us in expressing to their families our sincere sympathy.

Some of our associated companies are in enemy or enemy-occupied countries and we know little of their activities. Other associated and subsidiary companies have been active and fortunate in being able to contribute appreciably to the cause of the United Nations. We look forward to the unrestricted resumption of trading and personal relationships with all of them.

The holding company has earned a profit and its liquid position is being strengthened, so that, in case of post-war needs, assistance may be given to Continental associated companies which are in countries at present occupied by the enemy.

GOOD RELATIONSHIP WITH EMPLOYEES

Regarding the general problems of industry in relation to national activities, much has been heard recently of State ownership, private enterprise, social security and allied matters, particularly with regard to their effect on post-war responsibilities and development. Throughout the arguments for and against the many plans and schemes that have been propounded there seems to me to be one

policy on which everyone is in agreement, and that is the necessity (and I use the word deliberately) of proper understanding and good relationship between employer and employee. This necessity holds good whether the employer is the State or not, but I am not at all sure that the State has always fully realised its responsibilities in this connection. Some private employers, too, may have been lacking, but the great majority have worked hard over many years to improve conditions for their employees and to help them in innumerable ways. For this work industrialists have received but little credit, and the facts should be more widely known.

The existing emergency has been described as "a Time for Greatness"—whether looked at from an international, a national or an individual point of view—and it would be well for us to review the experience of the past so that it may be used in our plans for the present and the future. Our company's past record in this regard is one of outstanding leadership. I took the opportunity in my statement last year to make known to you in some detail the practical application of the company's policy and of our continual efforts to maintain good relationships and working conditions, which I am happy to remind you have always received your unanimous approval.

It is with pleasure that I inform you that in these matters we have not stood still during the year now under review. The many facilities and amenities which we have inaugurated and provided have been improved; the scope of the various pension, benefit and other funds has been, and is being, reviewed to provide expansion of aid to employees and their dependants, and in the day-to-day contact between employees of all grades we have achieved a practical and satisfactory working basis which stands us and the country in good stead during the present difficult times.

NATIONAL SAVINGS EXCEPTIONAL ACHIEVEMENT

I would be doing our employees less than justice if I did not draw specifically to your attention their exceptional achievements in the field of National Savings. When I issued my previous statement in July of 1942 the position of our Ford National Savings groups was that over 80 per cent. of employees were members and that contributions then exceeded £325,000. What is the position now? The latest figures available show that membership has increased to 94 per cent. and that the recorded savings of our people now exceed £732,000. As a contribution to the national economy this is magnificent and is a source of great satisfaction to us as evidence of the fine spirit existing among the men and women who labour so efficiently on the production of war material. The National Savings Campaign has had, as its main 1943 feature to date, "Wings for Victory" Weeks. Included in the above total of £732,000 is no less than £68,728 which employees at our various undertakings have contributed during those weeks through the Ford groups concerned.

With the basis of understanding and mutual good will which we have established we may look forward to the future with confidence, although it is idle to pretend that the remaining war years and the post-war years will be easy. There are many factors which, according to their method of future application, may have a decisive effect on the well-being of the country and the individual. It is difficult to visualise the full extent and nature of the problems with which even our own industry—that of motor vehicle and tractor

manufacture—may be faced, but there is one thing certain—everybody concerned, employers and employees alike, must work and work hard. This being so the importance of good understanding and co-operation between employer and employee becomes apparent and I feel that in our own way we in this company have endeavoured, with no small success, to show how this result may be achieved.

TRIBUTE TO EMPLOYEES

I have already referred to the employees' year of hard work, of which we are very appreciative, and I would also like to thank my colleagues and the executive staff for their able and enthusiastic support at all times.

Our organisation of dealers has earned the gratitude of all concerned for the excellent work it has done in maintaining good service to vehicles and tractors. I would also like to thank suppliers for their efforts and their success in maintaining a steady flow of the many components the company has required and last, but by no means least, officials of His Majesty's Government for their unfailing courtesy and co-operative understanding and assistance at all times.

As already mentioned, it is considered that the best interests of the company demand the conservation of cash resources to the fullest extent. Accordingly, the directors recommend that a dividend of 6 per cent., subject to income-tax, be declared, which is the same rate of dividend paid each year during the war.

The report and accounts were unanimously adopted.

The retiring directors (Mr Henry Ford and Hon. Roland D. Kitson) were re-elected, and the auditors (Messrs Mellors Basden and Mellors) were reappointed.

A hearty vote of thanks to the chairman, directors and staff concluded the proceedings.

WHITEHALL ELECTRIC INVESTMENTS, LIMITED

The twenty-first ordinary general meeting of Whitehall Electric Investments, Limited, will be held on the 23rd instant, at Winchester House, London, E.C.

The following is a summary of the report of the directors for the year to March 31, 1943:—

The consolidated gross income, including £36,212 profit on Investments realized, amounts to £208,378, and the net income after expenses and the transfer of £55,765 to reserves for depreciation is £133,736. After providing for income-tax and the payment net of the Preference dividends—namely, 2½ per cent. arrears and 7½ per cent. for the year—a total of 202,887. The undistributed balance at £374,205 shows a reduction in the year of 69,151.

The sale of the company's interest in Lecrin, Spain, produced a net amount of £483,587. The proceeds of this sale and other liquid resources of the company led to the proposals made by the directors in January last—namely, to repay 50 per cent. of the Preference stock capital, to reduce the dividend on the remaining Preference stock from 7½ per cent. to 6 per cent., and to offer to the Preference stockholders a participation in the equity of the company. The proposals were embodied in a scheme of arrangement which was submitted to the stockholders at meetings held on February 17th, when the necessary resolutions were passed. The scheme of arrangement was sanctioned and the reduction of capital confirmed by order of the Court dated March 15th, 1943.

The consolidated balance sheet shows investments and net floating assets at cost, less

capital and other reserves—
namely..... £6,826,980

The investments have been valued by the directors at March 31, 1943, as follows:—
West of England, at cost..... £865,000
Other investments..... 2,401,991
Net floating assets..... 65,017

Total, excluding any valuation of Athens..... £3,332,008
The investment in the \$6 Preferred stock of American and Foreign Power remains unchanged, and at March 31, 1943, the market price was \$61, compared with \$19 at March 31, 1942.

MILNERS SAFE COMPANY, LIMITED

SUCCESSFUL RESULTS

SIR J. E. T. RITCHIE'S STATEMENT

The annual general meeting of the above company was held, on the 16th instant, at the registered offices of the company, 21 Humpstead Lane, N.6. The following statement was issued to the shareholders by the chairman, Sir J. E. T. Ritchie, Bt.

I am pleased to be able to preface this statement by informing you that the latest news of Major J. B. Dodge, who is a prisoner of war in Germany, is that he is at least in good spirits.

Once again it is my pleasure to present to you a balance-sheet showing that things continue to go well with this old-established company.

The works continue to be fully employed and the past year has shown a record turnover.

It is not possible for me to refer to our specific activities, but, when the time is opportune, shareholders will, I am sure, be proud to hear how we have pulled our weight in the national effort during these momentous times.

STRONG FINANCIAL POSITION

In directing your attention to our financial position, you will, no doubt, be interested to notice that the bank loan, which was necessitated by the erection of our new works, has been repaid. This is no small achievement, and it means that our factory buildings and equipment, which have been financed out of the company's resources, now constitute a most valuable asset, which after the war will, I am satisfied, prove their value when we turn once again to our peacetime products. You will remember that, although theoretically this is described as leasehold property, the lease is for 999 years from 1938.

Amongst many other improvements for staff and workpeople, the canteen has been

Greece remains in enemy occupation and no information is available regarding the Athens undertakings.

An estimate of the consolidated net income available to the company during the current year has been made, and it is expected that before allowing for possible losses on realizations of investments and with no income from Athens it will be not less than £130,000. Compared with this the 6 per cent. dividend on £1,250,000 Preference stock requires an amount of £75,000. The directors are not intending to recommend the payment of a dividend on the Ordinary stock, but to utilize the surplus in increasing carry forward or in making transfers to reserve.

enlarged and extended and special facilities are now provided for social activities and health maintenance. I am sure that these amenities have greatly contributed to the good spirit which prevails amongst all who work there.

Again, in spite of the volume of work with which our plant and machinery have to cope these days, we are nevertheless maintaining them in a high degree of efficiency, and at the same time providing for depreciation along sound lines. In this connection, you will notice that certain additions have been made to our plant, which, after making adequate provision for depreciation, stands at £28,523 this year, as against £21,809 in last year's accounts.

We have made some provision out of our cash resources for taxation liabilities by the purchase of £25,000 Tax Reserve Certificates, and we invested £20,000 in 3 per cent. Savings Bonds, 1960-70, during the London "Wings for Victory" Week.

TAXATION BURDEN

I should like at this point to add a few words about taxation in general. During the first half of the last decade your company passed through difficult times, and, on that account, had certain tax deficiencies, which have, up to now, largely offset our liabilities during recent years. This has helped us to restore our finances to a sound position, but I should advise you that these deficiencies are nearing exhaustion, and we are now having to face the demands of Excess Profits Tax. Our standard years are based on the output of our old factory in Smithdown Lane, which had very limited potentialities compared with those existing in our present works. Income tax laws, as they exist at present, penalise a company in our position. As has been

recently pointed out in some quarters, there appears to be something wrong in a principle which enables a company with a high standard profit and making no extra war effort to provide more adequately for post-war conditions than a company having a low standard and making a great war effort. On the other hand, be that as it may, we are glad and proud to be in the position of being able to help the country with all the resources at our command, and take some comfort from the hidden reserve in the form of a 20 per cent. rebate on E.P.T. payments, which the Government have indicated will be available after the war.

During the year the board have instituted a staff contributory pension and group-life scheme, and we feel that this progressive step will have the approval of the shareholders. I should like to add also that the response of all employees to the company's Savings Group continues to improve and every new appeal by the management brings increased support.

THE DIVIDEND

Your directors are recommending a dividend payment this year of 7½ per cent., with a bonus in addition of 2½ per cent. Since Milners' was floated as a public company in 1874 the policy of the directors has been to ensure reliable service to the public, a reasonable return to shareholders, and at the same time to maintain adequate reserves for emergencies and development. This consistent, if somewhat conservative, policy has placed the company in a sound financial position, and, I am sure you will agree, has been fully justified; it is with this policy in mind that the directors have made their recommendation.

TRIBUTE TO MANAGING DIRECTORS, MANAGEMENT, STAFF AND EMPLOYEES

I must once again place on record the splendid co-operation which exists between the management, staff and all employees; all have continued to combine harmoniously with good will and the utmost energy in the cause of production, and this has contributed in great measure to the results you see before you. I also send greetings to those employees of the company who are serving in the Forces, whether at home or abroad.

I cannot close this statement without paying a particular tribute to our joint managing directors. In their respective spheres they have worked tirelessly and most cheerfully at the increasingly complicated problems which present themselves almost daily in an organisation like ours—among many others—the whole impetus of which has been diverted into unfamiliar channels by the war. At the proper time I hope it may be my privilege to be able to tell you how much we all owe to those two most loyal executive officers of your company.

(Continued from page 799.)

smaller, the bonus may be dropped. The cost of maintaining large stores and branches continues to rise. To overcome these difficulties, a mutual aid scheme will be submitted to the forthcoming Co-operative Congress. The distributive societies will be advised by the Co-operative Union to guarantee an annual contribution of 1d. in the £ on sales (yielding approximately £1,000,000) to render assistance to the societies. The Board of Inland Revenue has agreed to regard such contributions as admissible deductions in computing profits for taxation purposes. The recently-instituted CWS Retail Co-operative Society, Ltd., is operating in half-a-dozen areas, having taken over local societies that were in difficulties. The CWS is also responsible for the supervision of others. This expansion policy is being keenly criticised and consultations between the CWS and the Co-operative Union are in progress.

Meanwhile, plans for the co-ordination of trading facilities by neighbouring large and small societies are being made in several districts. They are suggestive of the serious view taken by the retail societies of the keen competition expected in peace time. This, too, is realised by the two wholesale societies, which are in negotiation for amalgamation into one British unit. During the last twelve months the English CWS had a record turnover of £157,000,000, and its sales totalled over £3,000,000 a week. But two-thirds of this was from marketing the goods of other manufacturers. In amalgamating with the Scottish CWS the aim is to produce more, to realise the ideal of the Rochdale Pioneers in 1844 that co-operators should become their own employers as well as their own suppliers. To emphasise this an appeal is being made for £250,000 to extend the Co-operative College which instructs in business and administrative methods, as well as training the future leaders in the principles of the co-operative movement.

RECORDS and STATISTICS

STOCK EXCHANGES

London

Note: all dealings are for cash

NEITHER before nor after the holiday was there any improvement in conditions in the stock markets. Turnover was even lower than of late and the majority of prices fluctuated without particular trend. The gilt edged market was firm if quiet, both Local Loans and 3½ per cent. Conversion Loan advancing ½, while among the short-dated issues 2½ per cent. National War bonds gained the same amount. Absence of any particular movement in the foreign bond market reflected the general inactivity prevailing there. Among junior home rail stocks, LMS and GW ordinary were prominent with net gains of ½ and ¼, profit taking in midweek reducing the earlier advances. Both the senior stocks and preference issues, however, were quietly steady. Sharp increases were recorded for Argentine rail stocks on the resumption of buying after the recent setback. Shortage of stock was largely responsible for such gains as the 2 point advances for BAGS and Central Argentine debenture stocks. Gains for junior stocks seldom exceeded ½ and profit taking in midweek reduced many of the earlier improvements. Elsewhere, Canadian Pacific ordinary lost ½, and the preference stock ¾.

Changes in the industrial market were numerous, but seldom exceeded a few pence either way. Brewery shares were irregular, most changes being downwards, but tobacco issues were steady. Motor shares were heavy, Albion, Leyland and Morris all weakening. Exceptionally, Standard rose 1s. 9d., but among aircraft issues, De Havilland fell 1s. 6d. Colliery issues were firm in the heavy industrial section, where, however, Swan Hunter and Firth Brown both lost 9d. Neither shipping nor textile shares displayed any definite tendency, while stores issues were, generally, dull. Dollar stocks fell back this

week in sympathy with the decline on Wall Street.

No developments of note accompanied the dividend announcements in the *kaffir* market. Some Cape buying raised several Far Western Rand issues ½. Western Reefs in particular advancing 1s. 7½d. Rubber shares were steady, but minor changes either way were scattered throughout the tea market. Oil shares were quietly firm. Anglo-Iranian improved slightly on the new agreement with the Iranian Government, while Trinidad Leaseholds were firm on the annual report. Shell was bought in midweek, gaining ½.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. Shares*	20 Fixed Int.†
	£	£		
June 10.....	3,695	3,291	98.9	134.2
" 11.....	3,551	2,702	98.7	134.2
" 14.....	Whitson	2,243	...	...
" 15.....	4,567	2,722	98.6	134.1
" 16.....	3,962	2,781	98.6	134.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 99.7 (May 11), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.1 (June 15). † New basis in S.E. List. § Old basis.

New York

CONCERN at the prospect of new taxes and drastic anti-inflation measures considerably restricted activity on Wall Street over the past week. Occasional selling led to widespread declines ranging from 1 to 2 points, although adequate support was forthcoming at the lower levels. Later, indications that corporation taxes might be postponed induced a steadier tone.

DAILY AVERAGE OF 50 COMMON STOCKS

June 3	June 4	June 5	June 7	June 8	June 9
122.4	121.7	121.8	121.4	120.8	121.0

1943: High, 122.4, June 3; Low, 99.5, Jan. 2.

COMMODITY AND INDUSTRY NEWS

Glue Control.—The Control of Glue, Gelatine and Size (No. 1) Order (S.R. and O. 1943, No. 816), which comes into force on July 1st, issued by the Minister of Supply, prohibits, except under licence, the acquisition, disposal and consumption of animal glues and gelatines and fish glue in excess of the following quantities per quarter: glues and gelatines other than edible gelatine and fish glue, 6 tons; edible gelatine, 5 cwt.; fish glue, 3 cwt. The Order does not apply to gelatine or stock arising in the course of the manufacture of meat products and used in these meat products; nor does it apply to gelatine pre-packed under licence granted by the Minister of Food.

Cereals Research.—The Ministry of Food has, by arrangement with the Department of Scientific and Industrial Research and the flour milling industry, taken over for the period of the war the laboratories at St. Albans which were previously occupied by the Research Association of British Flour Millers. The Ministry will have

the advantage of the use of these laboratories and the existing staff for the consideration of all food research problems, but they will continue to be used in the main for specialised work connected with cereals and cereal products. The laboratory is now known as the Cereals Research Station of the Ministry of Food. The transfer took place on June 1st.

Chocolate and Sweets.—The Zoning Scheme for chocolate and sweets will come into force on June 27th. After that date retailers and wholesalers will not be able to obtain chocolate and sweets from any supplier situated outside their zone, subject to certain exceptions. In order to enable the consumer ration to be met, it will be necessary to allow certain manufacturers in special circumstances to deliver outside their own zone. The manufacturers concerned have already been informed. There will be four zones. To assist each retailer and wholesaler to get a fair share of the supplies available in his zone (subject to the transfer of personal points), it has been

STANDARD STATISTICS INDICES

(1935-36 = 100)

(WEEKLY AVERAGES)

	1943	May 26, 1943	June 2, 1943	June 9, 1943
	Low Jan. 6	High June 2		
347 Industrials.....	81.1	99.7	98.1	99.7
32 Rails.....	72.6	98.5(b)	98.2	97.4
40 Utilities.....	67.9	85.1(a)	84.3	85.0
419 Stocks.....	78.5	97.3	96.0	97.3
Av. yield %.....	5.36	4.47	4.54	4.47

(b) May 5. (a) June 9. * 50 Common Stocks.

Total share dealings: June 10, 905,000; June 11, 841,000; June 12, 419,000; June 14, 1,352,000; June 15, 1,010,000; June 16, 877,000.

* Two-hour session only.

Capital Issues

Week ending June 19, 1943	Nominal Capital £	Conversions £	New Money £
Particulars of Government issues appear on page 805.			
Year†	Including Conversions	Excluding Conversions	
1943.....	916,620,420	901,271,336	
1942.....	779,439,158	775,437,099	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1943.....	899,256,974	1,375,685	638,677
1942.....	775,200,303	199,308	37,488

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Prof.	Ord.
1943.....	894,056,509	659,837	6,554,990
1942.....	769,092,070	680,476	5,663,553

† Includes Government issues to June 8, 1943, only. Above figures include all new capital in which permission to deal has been granted.

arranged for the larger manufacturers to interchange accounts. The number of personal points needed by the great majority of traders will not be affected by the zoning scheme. If some find themselves short of points, they may be had on loan from the local food office.

Victory Churn Contest.—The Victory Churn Contest was launched a year ago. For it the country was divided into six regional milk leagues, and awards have now been made for meritorious increases in milk output. Pembroke (Welsh League) won the National Trophy, and in the other leagues the following won silver challenge churns:—North Riding of Yorkshire, Northamptonshire, Huntingdonshire, Isle of Wight and Cornwall.

Bread Deliveries.—An experiment to save transport and manpower by eliminating overlapping bread delivery rounds is being undertaken by local bakers of Leicester at the request of the Ministry of

(Continued on page 808.)

Finance

GOVERNMENT RETURNS

For the week ended June 12, 1943, total ordinary revenue was £31,799,000, against ordinary expenditure of £28,437,000, and issues to sinking funds of £245,000. Thus, including sinking fund allocations of £1,818,077, the deficit accrued since April 1st is £37,098,000 against £607,574,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	April 1 to June 13, 1942	April 1 to June 12, 1943	Week ended June 13, 1942	Week ended June 12, 1943
ORDINARY REVENUE				
Income Tax.....	101,194	123,961	6,491	9,301
Sur-tax.....	7,052	7,292	450	380
Estate, etc.,.....	20,736	20,958	2,100	2,010
Duties.....	1,850	1,690	...	...
Stamps.....	4,748	4,181	450	650
N.D.C.....	47,446	69,822	11,900	7,300
E.P.T.....	200	100	10	...
Other Inland Rev.....	183,226	228,004	21,401	19,641
Total Inland Rev.....	228,004	228,004	21,401	19,641
Customs.....	92,457	105,404	10,800	8,597
Excise.....	72,000	84,200	2,700	2,800
Total Customs & Excise.....	164,457	189,604	13,500	11,397
Motor Duties.....	3,145	1,838	105	100
Canadian Govt. Contribution.....	80,096	...	4,494	...
Post Office (Net Receipts).....	8,050	2,100	1,400	250
Wireless Licences.....	510	600	...	...
Crown Lands.....	200	190	...	...
Receipts from Sundry Loans.....	586	867	98	119
Miscell. Receipts.....	13,748	10,927	773	292
Total Ord. Rev.....	454,018	434,130	41,771	31,799
SELF-BALANCING P.O. & Brdcastg.....	17,600	19,600	1,250	1,350
Total.....	471,618	453,730	43,021	33,149

Expenditure	April 1 to June 13, 1942	April 1 to June 12, 1943	Week ended June 13, 1942	Week ended June 12, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	90,365	92,541	3,154	3,830
Payments to N. Ireland.....	1,306	1,341	...	...
Other Cons. Fund Services.....	358	284	...	7
Total.....	92,029	94,167	3,154	3,837
Supply Services.....	973,380	1,075,243	94,500	94,600
Total Ord. Exp.....	1,065,409	1,169,410	97,654	98,437
SELF-BALANCING P.O. & Brdcastg.....	17,600	19,600	1,250	1,350
Total.....	1,083,009	1,189,010	98,904	99,787

After decreasing Exchequer balances by £181,106 to £2,475,518, the other operations for the week (no longer shown separately) raised the gross National Debt by £66,886,190 to £17,601 million.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 11th and June 17th. (Figures in brackets are par of exchange.)

United States. \$ (4.803) 4-02½-03½; mail transfers 4-02½-03½. Canada. \$ (4.863) 4-43-47; mail transfers 4-43-47½. Switzerland. Francs (25.22½) 17-30-40. Sweden. Krona (18.159) 11-16-85-95, bank notes at Bank of England, 17-40 kr. Dutch West Indies. Florin (12.11) 7-58-62; Portugal. Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. Panama. 44-02-04; mail transfers 4-02-04½. Brazil. 85-64½ cr. (buying). Uruguay. 7-6597 p. (buying).

Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate). Turkey. Piastres 520. Italy. 71-25 lire.

NET ISSUES (£ thousands)	200
P.O. and Telegraph.....	
NET RECEIPTS (£ thousands)	16
Land Settlement.....	

FLOATING DEBT

Date	Treasury Bills	Ways and Means Advances	Treasury Deposits by Banks	Total Floating Debt
	Tender	Public Depts.	Bank of England	
1942				
June 13	975-0	Not available		
Mar. 13	975-0	" "		
" 20	2858-9	282-5	969-0	4096-9
Apr. 3	975-0	Not available		
" 10	975-0	" "		
" 17	980-0	" "		
" 24	990-0	203-8	1043-5	4104-5
May 1	1005-0	Not available		
" 8	1020-0	" "		
" 15	1035-0	" "		
" 22	1050-0	" "		
" 29	1065-0	1885-9	233-3	4167-7
June 5	1080-0	Not available		
" 12	1095-0	" "		

TREASURY BILLS

Date of Tender	Offered	Applied for	Allotted	Average Rate of Allotment %	Per Cent Allotted at Min. Rate
1942					
June 12	75-0	131-6	75-0	20	0-67
Mar. 19	75-0	169-9	75-0	20	0-58
" 26	75-0	157-4	75-0	20	1-82
Apr. 2	75-0	150-6	75-0	20	2-39
" 9	80-0	164-3	80-0	20	2-57
" 16	85-0	159-2	85-0	20	2-77
" 23	90-0	153-1	90-0	20	2-85
" 30	90-0	167-0	90-0	20	0-17
May 7	90-0	179-0	90-0	20	0-39
" 14	90-0	154-7	90-0	20	0-44
" 21	90-0	157-2	90-0	20	0-46
" 28	90-0	159-5	90-0	20	1-13
June 4	90-0	154-5	90-0	20	0-80
" 11	90-0	152-8	90-0	20	0-76

On June 11th applications at £99 14s. 11d. per cent. for bills to be paid for on Tuesday, Wednesday, Thursday, Friday and Saturday of following week were accepted as to about 47 per cent. of the amount applied for, and applications at higher prices in full. £90 millions of Treasury Bills are being offered on June 18th. For the week ending June 19th, the banks will be asked for Treasury deposits to the maximum amount of £70 millions.

NATIONAL SAVINGS CERTIFICATES AND 3% AND 2½% BOND SUBSCRIPTIONS

Week ended	N.S.C.	3% Defence Bonds	3% Savings Bonds	2½% War Bonds 1951-53
May 4.....	5,450	1,945	7,619	12,506
" 11.....	7,146	3,830	18,581	22,964
" 18.....	9,702	5,610	16,450	26,573
" 25.....	10,429	6,660	17,875	22,027
June 1.....	12,348	6,544	16,854	24,211
" 8.....	12,176	6,305	13,834	20,374
" 15.....	...	...	9,582	8,841
Totals to date	838,154*	596,241*	1,257,205†	1,385,149‡

* 185 weeks. † 128 weeks. ‡ 29 weeks.

‡ Including all Series.

Interest free loans received by the Treasury up to June 8th amounted to a total value of £57,578,242. Up to May 29th, principal of Savings Certificates to the amount of £107,122,000 has been repaid.

Market Rates.—The following rates remained unchanged between June 11th and June 17th:

Egypt. Piastres (97½) 97½-98. India. Rupee (18d. per rupee) 17½-18½d. Belgian Congo. Francs 176½-180. China. National \$3-5½. Iran. Rl. 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account is 15-96 pesos.

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 June 11th and June 17th: Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½% 3 months

BANK OF ENGLAND RETURNS

JUNE 16, 1943

ISSUE DEPARTMENT

Notes Issued: £	Govt. Debt.....	11,015,100
In Circul.	Other Govt. Securities.....	988,227,071
In Bank, Department.....	Other Secs.....	749,193
	Silver Coin.....	8,636
	Amt. of Fid. Issue.....	1,000,000,000
	Gold Coin & Bullion (at 168s. per oz. fine).....	241,718
		1,000,241,718

BANKING DEPARTMENT

Props. Capital.....	14,553,000	Govt. Secs.	163,362,838
Res.	3,259,428	Other Secs.	988,227,071
Public Depts.	7,170,327	Discounts & Advances.....	4,207,344
		Securities.....	16,652,231
Other Depts.	157,668,143		20,859,575
Bankers' 53,281,625		Notes.....	50,815,724
Other Accts.	210,949,668	Gold & Silver Coin.....	894,286
	235,932,423		235,932,423

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

COMPARATIVE ANALYSIS

	1942	1943
	June 17	June 2, June 9, June 16
Issue Dept.:		
Notes in circulation.....	793.2	946.4 946.9 949.4
Notes in banking department.....	37.1	53.8 53.4 50.8
Government debt and securities.....	827.7	999.2 999.1 999.2
Other securities.....	1.9	0.8 0.9 0.0
Silver Coin.....	0.3	0.0 0.0 0.0
Gold, valued at s. per fine oz.	0.2	0.2 0.2 0.2
Deposits:		
Public.....	11.9	17.3 14.5 7.2
Bankers'.....	135.1	140.3 143.6 157.7
Others.....	47.3	51.9 52.5 53.3
Total.....	192.3	209.5 210.6 218.2

PROVINCIAL BANK CLEARINGS

	£ thousands			
	Week Ending	Aggregate from Jan. 1 to	Week Ending	Aggregate from Jan. 1 to
	June 13, 1942	June 13, 1942	June 13, 1943	June 13, 1943
Working days	6	158	6	158
Birmingham	2,171	59,925	2,170	59,855
Bristol	2,598	52,617	2,482	46,883
Cardiff	2,752	614	2,567	16,448
Leeds	672	18,716	554	14,977
Liverpool	802	26,815	897	27,550
Manchester	4,371	111,735	4,275	107,634
Newcastle	1,990	267,794	1,976	291,675
Nottingham	1,143	35,467	1,178	35,914
Sheffield	580	11,261	441	11,782
Southampton	609	20,882	777	23,696
22 Towns	96	2,869	179	3,559
Dublin	27,248	600,967	25,421	600,967
	6,831	156,295	7,429	166,236

* June 6, 1942, and June 5, 1943.

OVERSEAS BANK RETURNS

RESERVE BANK OF INDIA

	Million rupees			
	May 29, 1942	May 21, 1943	May 28, 1943	May 28, 1943
ASSETS				
Gold coin and bullion	444	444	444	444
Rupee coin	279	147	135	178
Balances abroad	667	758	774	825
Sterling securities	2,519	5,155	5,235	5,295
Ind. Govt. rup. secs.	1,492	1,257	1,257	1,297
Investments	86	75	75	75
LIABILITIES				
Notes in circ. India	4,318	6,897	6,961	7,006
Notes in circ. Burma	288			
Deposits: Govt.	225	256	262	230
Private	561	475	491	578
Reserve ratio	62.6%	80.0%	80.3%	80.6%

U.S. FEDERAL RESERVE

	Million \$'s			
	June 1, 1942	June 1, 1943	June 1, 1943	June 1, 1943
12 FEDERAL BANKS				
Gold coin and bullion	20,518	20,209	20,215	20,192
Due from Treasury	20,407	20,628	20,607	20,593
Total reserve	275	570	543	549
Total cash reserves	2,567	6,180	6,216	6,360
Total bills and coins	2,981	6,215	6,231	6,662
Total resources	24,546	28,454	28,556	28,860
LIABILITIES				
F.R. notes in circ.	9,195	13,355	13,523	13,680
Excess m. bal. res.	2,780	1,500	1,500	1,510
Mr. bank res. dep.	12,629	11,838	12,094	12,165
Govt. deposits	92	545	6	175
Total deposits	14,054	13,506	13,525	13,552
Total liabilities	24,540	28,454	28,556	28,860
Reserve ratio	89.5%	76.8%	76.7%	75.3%
BANK AND TREASURY RESOURCES				
Monetary gold stock	22,717	22,425	22,427	22,407
Treasury & bank currency	3,510	4,072	4,075	4,078
LIABILITIES				
Money in circulation	12,176	16,902	17,196	17,237
Treasury cash and dep.	2,305	2,612	2,274	2,452

BANK OF CANADA

	Million Can. \$'s			
	May 1942	May 1943	May 1943	May 1943
ASSETS				
Reserve Gold	194.0	8.1	0.6	15.6
Other	652.6	114.1	6.1	115.9
LIABILITIES				
Notes in circulation	522.8	748.2	747.5	746.8
Deposits: Dom. Govt.	88.3	102.2	56.2	96.0
Chartered banks	209.3	275.1	319.9	330.4

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

SOUTH AFRICAN RESERVE BANK

	Million £'s			
	May 1, 1942	April 1, 1943	April 1, 1943	April 1, 1943
ASSETS				
Gold coin and bullion	52,400	67,235	67,077	67,683
Bills discounted	1,001	8,359	7,399	8,667
Invest. and other assets	54,723	82,444	83,007	84,550
LIABILITIES				
Notes in circulation	32,041	39,422	39,860	43,150
Deposits: Government	11,229	12,779	12,699	10,442
Private	55,109	96,119	95,321	96,779
Others	6,939	6,277	5,853	7,155
Reserve ratio	50.6%	44.0%	43.7%	43.7%

RESERVE BANK OF NEW ZEALAND

	Million £N.Z.'s			
	April 1, 1942	March 1, 1943	April 1, 1943	April 1, 1943
ASSETS				
Gold and silver	22,550	34,553	23,181	24,044
Advances to State	23,659	31,111	36,577	38,332
Investments	4,155	4,466	10,229	10,229
LIABILITIES				
Bank notes	24,199	30,288	30,883	31,445
Deposits: State	11,441	17,004	16,033	14,984
Private	17,581	21,999	23,900	25,711
Reserve to sight liab.	42.3%	49.8%	34.1%	33.5%

CENTRAL BANK OF TURKEY

	Million Turkish pounds			
	Jan. 1, 1942	Dec. 31, 1942	Feb. 20, 1943	Feb. 20, 1943
ASSETS				
Gold	111.5	143.1	155.8	155.5
Clearing and other exch.	64.1	62.9	76.6	83.1
Treasury bonds	136.5	134.0	133.7	133.7
Commercial bills	301.1	481.1	479.6	476.9
Securities	175.3	265.1	261.0	261.6
Advances	521.5	744.9	699.5	697.6
Deposits	164.3	222.6	292.5	297.1
Clearing and other exch.	22.6	24.2	23.7	25.5

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 1942		Prices, Year 1943		Name of Security	Price, June 15, 1943	Price, June 15, 1943	Yield, June 15, 1943	Prices, Year 1943		Last two Dividends		Name of Security	Price, June 15, 1943	Price, June 15, 1943	Yield, June 15, 1943	
High	Low	High	Low					Jan. 1 to June 15	Jan. 1 to June 15	(a)	(b)					(c)
British Funds																
85.5	81	83.5	79.5	Consols 2 1/2% (after 1957)	80 1/2	80	£ s. d.	51/9	47/3	4	a	7	b	47 7/9	48/-	£ s. d.
113.5	109.5	112.5	110.5	Conv. 2 1/2% 1943-45	111 1/2	111	3 12 9	31/7	29/6	16	b	13	a	52 1/2	52 1/2	5 13 9
100.5	99.5	100.5	100.5	Conv. 2 1/2% 1944-49	100 1/2	100 1/2	1 17 6	26/-	23/3	3	a	5	b	30/3	30/3	3 6 0
101.5	99.5	101.5	100.5	Conv. 3% 1948-53	103	103	2 8 0	29/-	21 7/8	Nil	c	8	c	23 1/3	23 1/3	6 17 6
108.5	105.5	107.5	104.5	Conv. 3 1/2% (after 1961)	105	105	3 8 9	34/9	30/6	6	b	15	a	33 1/3	33 1/3	5 16 0
105.5	103	104.5	102.5	Conv. 5% 1944-64	108 1/2	108 1/2	5 8 9	51/9	49/-	14	b	24	a	33 1/3	33 1/3	7 10 6
96.5	93.5	97.5	92.5	Funding 2 1/2% 1950-61	99 1/2	99 1/2	2 16 0	54/7	50/-	12 1/2	c	12	c	51 1/6	51 1/6	2 10 6
101.5	98.5	101.5	99.5	Funding 2 1/2% 1952-57	99 1/2	99 1/2	2 16 0	54/7	50/-	12 1/2	c	12	c	50 1/3	50 1/3	4 19 6
102.5	99.5	102.5	100.5	Funding 3 1/2% 1958-69	100 1/2	100 1/2	3 0 0	10/3	8/3	Nil	c	5	c	38/-	38/-	5 5 3
116.5	113.5	115.5	112.5	Funding 4 1/2% 1960-80	113 1/2	113 1/2	3 0 0	27 1/4	25/-	5 1/2	b	24	a	9/9	9/10 1/2	3 7 5
102.5	100.5	102.5	101	Nat. Def. 3% 1944-48	102	102	1 19 0	20/10	17 1/10	4	a	6	b	26 1/6	26 1/6	3 1 5
103.5	100.5	102.5	100	Nat. Def. 3 1/2% 1954-58	100 1/2	100 1/2	2 19 0							19 1/6	19 1/3	5 3 9
101.5	99.5	101.5	101	War Bonds 2 1/2% 1945-47	101 1/2	101 1/2	1 19 3	17 1/4	14/3	Nil	c	Nil	c	17/-	17/3	Nil
101.5	99.5	101.5	100.5	War Bonds 2 1/2% 1946-48	101 1/2	101 1/2	1 19 0	22 1/2	15/9	Nil	c	Nil	c	21 1/2	21 1/6	Nil
101.5	100	101.5	99.5	Savings Bds. 3% 1955-65	100 1/2	100 1/2	3 0 0	45/4	41/3	5	b	38	a	44 1/4	44 1/4	3 18 3
115.5	112.5	115	113	Victory Bonds 4%	102 1/2	102 1/2	3 1 6	50/6	45/-	2	a	5	b	49/-	49/-	3 1 2
103	100	103	100	War Loan 3 1/2% aft. 1952	103 1/2	103 1/2	3 7 3	34/9	31/-	7 1/2	c	74	c	17/-xd	17 1/4	4 7 6
106.5	103.5	106.5	103.5	War Loan 3 1/2% aft. 1952	103 1/2	103 1/2	3 7 3	34/9	31/-	7 1/2	c	74	c	35/6	33 1/6	4 9 3
97.5	95.5	98.5	94.5	Local Loans 3%	95	94 1/2	3 3 9									
101.5	98.5	101.5	97.5	Redemption 3% 1986-96	98 1/2	98 1/2	3 1 0	97/-	76/3	5	a	15	b			
102	101	102	101	Austria 3% 1933-53	102	102	2 16 3	26 7/8	24/9	12 1/2	b	74	a	25/-	25/-xd	4 5 3
Dom. & Col. Govts.																
102	101	102.5	101	Australia 5% 1945-75	102	102	3 18 10	90/-	85/-	10	c	10	c	48/-	48/-	4 3 3
103	100	104.5	102	New Zealand 5% 1946-50	103	103	3 18 5	50 1/4	46/6	10	c	10	c	89/-	89/-	3 18 6
111	106 1/2	112	110	Nigeria 5% 1950-60	111	111	3 7 5	43/3	37/-	3	a	5	b	38/6	39/-	4 2 0
Corporation Stocks																
108.5	105.5	108.5	105.5	Birmingham 5% 1946-56	106 1/2	106 1/2	2 14 2	35/-	31/3	2 1/4	a	4	b	18 1/3	18/-	1 2 3
97.5	95.5	98.5	94.5	L.C.C. 3%	94	94	3 3 9	42/-	37/3	2 1/4	a	4	b	32/-	32/-	4 7 6
100.5	98.5	100.5	99.5	Liverpool 3% 1954-64	99 1/2	99 1/2	3 1 1	42/9	39/3	3	a	5	b	37/6	37/6	4 5 0
106.5	104.5	106.5	105.5	Middlesex 3 1/2% 1957-62	105 1/2	105 1/2	3 0 0							40/-	40/-	4 0 0
Foreign Governments																
102	102	102	99 1/2	Argentina 4 1/2% Stg. Bds.	102	102	4 9 6	21 1/10	19 7/8	10	c	10	c	20/-	20/-	2 10 0
64.5	46.5	68.5	61.5	Brazil 5% Funding 1914	63 1/2	67 1/2	3 14 0	22/-	22/-	7 1/2	b	4	c	23 1/3	23 1/3	6 9 0
36	23	36	30	Chile 6% (1929)	35	34	4 18 0	19 1/6	16 1/3	7	c	18	c	12 1/9	12 1/8	8 4 9
103.5	76	105	100	Egypt Unified 4%	104	104	3 17 0	34/9	30/6	18	c	6	c	18 1/3	17 1/10	4 9 3
98.5	70.5	97.5	88	Portuguese 3%	97 1/2	97 1/2	3 1 6	19 1/10	17 1/4	15	a	17 1/2	b	32 1/2xd	33 1/9	3 11 6
61.5	33	76	56 1/2	Spanish 4%	73 1/2	73 1/2	5 8 0	78/6	68/9	24	b	124	b	18/-	17 1/4	9 1 0
Shipping																
110/-	100/-							42/6	37/6	7 1/2	b	110	a	75/-	74 1/2	4 0 0
Tea and Rubber																
23 1/4	18/9	Nil	24	Cunard Ord. £1	23 1/4	23 1/4	£ s. d.	18/9	17/3	5	c	5	c	20/-	20/-	2 10 0
22 1/2	22/6	6	c	Furness, Withy Ord. £1	22 1/2	22 1/2	£ s. d.	22/6	22/6	6	c	6	c	23 1/3	23 1/3	6 9 0
24/6	30/3	6	c	P. & O. Def. £1	24/6	24/6	£ s. d.	30/3	30/3	6	c	6	c	12/9	12/8	8 4 9
24/9	22 1/4	6	c	Royal Mail Lines Ord. £1	24/9	22 1/4	£ s. d.	22 1/4	22 1/4	6	c	6	c	18/3	17 10/16	4 9 3
19 7/8	17/3	5	c	Union Castle Ord. £1	19 7/8	17/3	£ s. d.	17/3	17/3	5	c	5	c	33 1/9	33 1/9	3 11 6
Oil																
91 1/10	78 1/4	7 1/2	c	Anglo-Italian Ord. £1	91 1/10	78 1/4	£ s. d.	78 1/4	78 1/4	7 1/2	c	5	a	87/6	87/6	1 14 3
76 1/10	52/6	7 1/2	b	Burmah Oil Ord. £1	76 1/10	52/6	£ s. d.	52/6	52/6	7 1/2	b	24	b	60/-	60/-	3 6 8
70 7/8	63/9	12 1/2	b	Shell Transport Ord. £1	70 7/8	63/9	£ s. d.	63/9	63/9	12 1/2	b	24	b	67/-xd	67/-	1 9 6
76 1/10	72/6	5	a	Trinidad Leaseholds £1	76 1/10	72/6	£ s. d.	72/6	72/6	5	a	10	c	74/-	75/-	4 0 0
Miscellaneous																
56 10/16	55/-	2 1/2	a	Assoc. P. Cement Ord. £1	56 10/16	55/-	£ s. d.	55/-	55/-	2 1/2	a	6 1/2	b	56 10/16	56 10/16	3 3 9
49 1/3	41 1/3	24	c	Barker Pure Drug Ord. 5/-	49 1/3	41 1/3	£ s. d.	41 1/3	41 1/3	24	c	24	c	59/-	59/-	3 7 9
70 7/8	63/9	3	b	British Aluminium £1	70 7/8	63/9	£ s. d.	63/9	63/9	3	b	7	b	41 1/3xd	41 1/3	2 18 0
94	78	2 1/2	b	Brit.-Amer. Tobacco £1	94	78	£ s. d.	78	78	2 1/2	b	11 1/2	a	49/9	49/6	4 0 9
67 1/2	58 1/2	6	c	British Oxygen Ord. £1	67 1/2	58 1/2	£ s. d.	58 1/2	58 1/2	6	c	8	b	98 1/8	98 1/8	2 0 6
60 7/8	66/3	6	a	Cable & Wir. Hdq. Stk.	60 7/8	66/3	£ s. d.	66/3	66/3	6	a	4	c	75/-	75/-	4 0 0
93 1/3	86/-	8	a	Carreras 'A' Ord. £1	93 1/3	86/-	£ s. d.	86/-	86/-	8	a	12 1/2	a	80 1/2	78 1/2xd	5 1 11
71 7/8	70 7/8	7 1/2	a	Dunlop Rubber Ord. £1	71 7/8	70 7/8	£ s. d.	70 7/8	70 7/8	7 1/2	a	8	c	130/-	130/-	4 4 6
48 1/2	46 1/2	8 1/2	a	Elec. & Mus. Ind. 10/-	48 1/2	46 1/2	£ s. d.	46 1/2	46 1/2	8 1/2	a	6	c	36/-	36/-	2 13 4
54 1/3	49 1/3	3 1/2	a	Gestetner Chem. & Glass Def. £1	54 1/3	49 1/3	£ s. d.	49 1/3	49 1/3	3 1/2	a	12 1/2	a	30 1/3	30 1/3	4 0 0
91 3/5	85 1/6	9	a	Imperial Colonial Ord. £1	91 3/5	85 1/6	£ s. d.	85 1/6	85 1/6	9	a	3	b	63 1/3	63 1/3	1 11 0
				Imperial Tobacco Ord. £1			£ s. d.					3	a	38/6	39/3	4 1 6
				International Nickel n.p.			£ s. d.					7 1/2	a	74	74	2 8 0
				Lever & Unilever Ord. £1			£ s. d.					4 1/2	a	44 1/2	44 1/2	4 2 6
				London Brick Ord. £1			£ s. d.					5	c	33 1/3	33 1/3	2 19 9
				Marks & Spencer 'A' 5/-			£ s. d.					10	c	58 1/3	58 1/3	3 8 6
				Murex £1 Ord.			£ s. d.					15	a	50/9	50/9	3 17 0
				Pinchin Johnson Ord. 10/-			£ s. d.					12 1/2	b	105/-	105/9	3 21 9
				Smith and Lyle Ord. £1			£ s. d.					12 1/2	b	65/-	65/-	4 12 0
				Triplex Safety Glass 10/-			£ s. d.					10	c	67/6	67/6	4 0 0
				Tube Investments Ord. £1			£ s. d.					10	c	31/-	31/-	3 4 6
				Turner & Newall Ord. £1			£ s. d.					10	b	92/-	92/-	4 6 9
				United Malasses Ord. 6/8			£ s. d.					8 1/2	a	76/-	76/-	3 5 9
				Woolworth Ord. 5/-			£ s. d.					20	a	28/9	28/9	5 4 0
							£ s. d.					30	b	59/6	59/6	4 0 0
Minerals																
183/-	167/-	115	b	Asphalt Goldfields Prd. 4/-	183/-	167/-	£ s. d.	167/-	167/-	115	b	35	b	56 3/3	56 3/3	5 14 0
75/-	67 1/2	5	a	Burns Corp. Ord. R. A. £1	75/-	67 1/2	£ s. d.	67 1/2	67 1/2	5	a	10	c	51 1/4	51 1/4	4 2 0
90/-	84/-	10	b	Cons. Gids. of S. Afr. £1	90/-	84/-	£ s. d.	84/-	84/-	10	b	40	c	48/9	48/9	4 2 0
123/9	118 1/2	18	11	De Beers (Def.) £2 1/2	123/9	118 1/2	£ s. d.	118 1/2	118 1/2	18	11	8 1/2	a	19 1/2	19 1/2	2 0 6
100/9	94/-	15 1/2	8	Randfontein Ord. £1	100/9	94/-	£ s. d.	94/-	94/-	15 1/2	8	8 1/2	a	35/-	34 1/4	1 10 6
94/-	88 1/3	13	a	Rhokana Corp. Ord. £1	94/-	88 1/3	£ s. d.	88 1/3	88 1/3	13	a	15	c	7 1/2	7 1/2	3 15 3
				Rioan Antelope Cpr. 5/-			£ s. d.					5	b	13 1/3	13 1/3	7 18 0
				Sib. Nibel Ord. 10/-			£ s. d.					5 1/2	a	8 1/2	8 1/2	4 18 6
				Union Cpr. 10/-			£ s. d.					5 1/2	a	8 1/2	8 1/2	4 18 6
				Witwatersrand 10/-			£ s. d.					5 1/2	a	8 1/2	8 1/2	4 18 6

(Continued from page 804.)

Food. The Bakers' War Time Association has grouped households to which bread is delivered so that each baker serves a block as near as possible to his bakery. Some striking results are expected; for instance, the 80 odd bakers concerned at present deliver in 9,044 streets; this is reduced to 1,764; one baker is reduced from 17 streets to one street in which he has been allotted the same trade, another from 49 to 3. Progress is being closely followed by the Ministries of Food and War Transport.

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

	Jun 10, 1943	Jun 11, 1943	Jun 14, 1943	Jun 15, 1943	Jun 16, 1943
Crops	118.5	118.4	Bank Holiday	118.4	118.1
Raw materials	182.3	182.3		182.3	182.3
Complete Index	147.0	146.9		146.9	146.8

	Mar. 31, 1937	Aug. 31, 1939	June 16, 1942	May 17, 1943	June 9, 1943
Crops	147.9	92.2	115.5	117.7	118.1
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	141.3	146.5	146.7

* Highest level reached during 1932-37 recovery.

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

	Mar. 31, 1937	Aug. 30, 1939	June 9, 1942	May 25, 1943	June 1, 1943
Cereals and Meat	93.0	66.9	111.8	110.4	110.6
Other Foods	70.4	61.1	101.6	107.5	107.5
Textiles	74.2	54.3	92.7	93.9	94.2
Minerals	113.2	95.4	130.7	135.9	135.9
Miscellaneous	87.0	77.6	119.0	127.3	127.3
Complete Index	87.2	70.3	111.2	114.8	114.9

* Highest level reached during 1932-37 recovery.

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

	Stocks (end Year & Month)	Home Trade	Total	% Change from a Year Ago
1937	100	100	100	+ 1.0
1938	94	94	93	- 7.0
1939	86	105	103	+ 10.7
1940	93	119	116	+ 12.6
1941	85	98	99	- 14.7
1942	95	104	...	...
1942, Mar.	95	128	127	+ 3.1
" Apr.	88	105	105	+ 3.8
1943, Mar.	105	115	111	- 12.6
" Apr.	102	101	98	- 6.7

Indices calculated by Wholesale Textile Association in collaboration with Bank of England. Purchase Tax is not included; figures are therefore comparable throughout.

Source: Board of Trade Journal.
* Publication of Indices of Export Sales suspended in Sept., 1942.

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 & 90 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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1

Manchester Branch: 52, MOSLEY STREET

New York Agency: 65, BROADWAY, NEW YORK CITY

NATIONAL BANK OF INDIA LIMITED

Bankers to the Government in Kenya Colony and Uganda.

Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

BRANCHES:

Aden and Aden Point	Cochin (S. India)	Madras	Kisumu	Kenya Colony
Amritsar	Colombo	Mandalay	Mombasa	British E.A.
Bombay	Delhi	Nuwara	Nairobi	
Calcutta	Kandy	Rangoon	Entebbe	Uganda
Cawnpore	Karachi	Tuticorin	Jinja	
Chittagong	Lahore	Zanzibar	Kampala	
Dar-es-salaam	Mwanza	Tanga	Tanganyika Territory	

SUBSCRIBED CAPITAL ... £4,000,000

PAID-UP CAPITAL ... £2,000,000

RESERVE FUND ... £2,000,000

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

THE ROYAL BANK OF CANADA

Incorporated in Canada in 1869 with Limited Liability

Assets exceed \$1,000,000,000

LONDON:

Main London Branch: 6, Lothbury, E.C.2.

E. B. McNerney, Manager

West End Branch: 2-4, Cockspur Street, S.W.1.

C. H. Hunt, Manager

HEAD OFFICE: MONTREAL

Agency in New York

THE HONGKONG AND SHANGHAI BANKING CORPORATION

CAPITAL ISSUED AND FULLY PAID UP \$20,000,000
RESERVE FUNDS STERLING - £7,125,000
RESERVE LIABILITY OF SHAREHOLDERS \$20,000,000

Head Office (temporarily),

9, GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, Etc.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED

9, Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, prepared to act as Executor and Trustee in approved cases.

Full particulars may be had on application.

COMMONWEALTH BANK OF AUSTRALIA

(Guaranteed by the Australian Government)

Branches and Agencies throughout Australia.

Banking and Exchange Business of every description transacted. Bankers to the Government of the Commonwealth of Australia, the Government of the State of Queensland, the Government of the State of South Australia, the Government of the State of Tasmania. Commonwealth Savings Bank of Australia, 8,000 Agencies at Post Offices in Australia.

As at 30th June, 1942.—	General Bank Balances	£181,729,500
	Savings Bank Balances	184,619,000
	Note Issue Department	111,958,542
	Rural Credits Department	2,421,174
	Other Items	20,380,871
	Total	£481,101,748

A. H. LEWIS, Manager.

London Office: 8 OLD JEWRY, E.C.2.

Also at AUSTRALIA HOUSE, STRAND, W.C.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER; 1

ANNUAL INCOME EXCEEDS -	£14,000,000
ASSETS EXCEED -	£81,000,000
CLAIMS PAID EXCEED -	£147,000,000

(1942 Accounts.)

DUTTON ONE - WEEK SHORTHAND is learnt in twelve 2-hour postal lessons. Send 3d. in stamps for first lesson to E.C., 92, Gt. Russell Street, London, W.C.1.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

(UNIVERSITY OF LONDON)

Applications are invited for the temporary appointment for the Session 1943-44 of an Assistant in Economics, whose duties will be concerned chiefly with classes in Economic Theory and tutorial work for first-year students. Salary £300 per annum. Applicants should send full particulars and their academic qualifications and experience, with the names of three referees, to the acting Secretary, London School of Economics, The Hostel, Peterhouse, Cambridge.

THE ECONOMIST

ESTABLISHED 1843

Vol. CXLIV No. 5209

REGISTERED AS A NEWSPAPER

JUNE 26, 1943

Entered as Second Class Mail Matter at the New York, N.Y., Post Office

ONE SHILLING

Soldier into Statesman	809	Balkan Strategy	814
Doctor and Patient	811	Canada's Mutual Aid	823
War Pensions	812	Coal Production	826

NOTES OF THE WEEK	815	FINANCE AND BANKING	827
-------------------	-----	---------------------	-----

The Third Year; Policy in the Ostland; Bombardment; Priorities and Possibilities; Compromise at Algiers; Demobilisation; Introspection in Australia; Wage Increases; British Aircraft; Yugoslav Cabinet Crisis; Extension of Monopoly?; Labour in the Eastern Dependencies; Shorter Notes.

LETTER TO THE EDITOR	819
----------------------	-----

Personal Incomes.

AMERICAN SURVEY	820	INDUSTRY AND TRADE	830
-----------------	-----	--------------------	-----

Opportunity and Jobs; Week of the Long Knives; Out Again, In Again; Ceiling Plus; Riot in Detroit; Shorter Notes.

THE WORLD OVERSEAS	823	COMPANY MEETINGS	832
--------------------	-----	------------------	-----

Canada's Mutual Aid Plan; Freed Tunisia; Blockaded China.

RECORDS AND STATISTICS	836
------------------------	-----

Soldier into Statesman

THE announcement last week-end of the translation of Field-Marshal Sir Archibald Wavell from Commander-in-Chief in India to Viceroy was a surprise. The new Viceroy is the first serving soldier to be appointed to govern India. Thirty-three years ago, King Edward's wish to see Lord Kitchener Viceroy was not satisfied because His Majesty's Government did not believe that a soldier was a suitable person to lead India along the path of constitutional reform. Inevitably, beneath the discretion with which the new appointment has been generally received, some fear has been shown, both in Britain and in India, that it may mean, in effect, a reversion to military rule—with Field-Marshal Wavell and General Auchinleck, his successor as Commander-in-Chief, in joint control.

It will be Sir Archibald Wavell's first and urgent task to dispel this fear; to insist upon his exclusively civilian status; to prove by his manner and his actions that to be a Governor-General is to be a General no longer. Already he has told the press in London that there is "no intention to set up anything in the shape of military rule," or "to withdraw or weaken in any way the pledges and offers made to India." The new Viceroy has presumably been chosen not for his professional qualifications but for his personal qualities, which are high and well known. If

he can make it plain that when he puts on his robes of state he puts off his uniform, it is by no means a disadvantage that he should have the closest first-hand knowledge of the military problems of India at war. It is obvious (as he pointed out on Tuesday) that "India's progress must depend on the successful prosecution of the war." Nor is it necessarily an unfavourable omen for his success in India that he should have been disinclined, on at least one recent occasion when in active command in another theatre of war, to share his responsibilities with extraneous civilians, demanding rather sufficient power to do his duty properly. It is imperative that the Viceroy and his Council, mainly of Indians, should have liberty of action in the search for an acceptable and agreed approach to Indian independence.

The decision of India's future does not lie in the Viceroy's hands, but in those of the Indians themselves. Sir Archibald Wavell will be the King's representative in India. Within the framework of the policy laid down by the British Parliament, and set out, in all its essentials, in the Declaration of Independence which Sir Stafford Cripps took out, without avail, in March last year, he will be responsible for, if not yet to, the people of India; and it is in the discharge of this responsibility that his and India's opportunity lies.

It is worth recalling the precise nature of this opportunity, as defined in the Cripps Declaration.

The object is the creation of a new Indian Union, which shall constitute a Dominion, associated with the United Kingdom and the other Dominions by common allegiance to the Crown, but equal to them in every respect, in no way subordinate in any aspect of its domestic or external affairs.

The method proposed for achieving this object was to set up, "immediately upon the cessation of hostilities," a Constituent Assembly, chosen by the entire membership of the lower houses of the Indian provincial legislatures sitting as "a single electoral college." This Constituent Assembly, charged with the task of framing a new constitution, would at once assume full responsibility for the future government of India by making a treaty with the British Government, transferring responsibility from British to Indian hands. The right of any Province of British India to contract out of the new constitution, and to retain its present constitutional position, would be reserved; and any Indian State would similarly have the right to contract into the new arrangement. Provinces not prepared to enter the new Indian Union would also have the right, should their electorates so desire, to seek Dominion status on their own account by making an independent constitution in the same way as that proposed for British India as a whole.

This offer stands. Far too little justice has been done in India and in Allied countries to the sweeping character of its proposals. In them is contained the promise of everything that Indian nationalism has asked for, and its fulfilment depends entirely upon the will of India, not of Britain. It imposes no form of constitution or method of government, except for the protection of racial and religious minorities by treaty with Britain. It leaves the Indians at liberty to choose their way of life, to decide whether the British or the American or the Russian constitution shall be their model, and to determine what degree of representative and responsible government is proper to the condition of India.

During the months before his entry into office, Sir Archibald Wavell has to decide why this remarkable offer was rejected; to assess what evidence there is of a change of mind; and to work out a programme of policy that will encourage such a change. The reasons for the rejection appear to have been three. First, there was the habitual Indian distrust of British motives. Secondly, there was a general desire among the Indian parties that independence in some form should be granted, not "immediately upon the cessation of hostilities," but at once. Thirdly, there was the inability of Hindus and Moslems to agree upon the proposals permitting Provinces to contract out of the new Indian Union—the Hindus demanding complete integration, the Moslems partition outright. The former Commander-in-Chief is not likely to decide that a major change in Indian government is possible while hostilities continue—and while the Indians themselves are in sharp disagreement about the direction it should take. Nor is it possible, in justice or expediency, to impose either integration or partition upon free India from above; the present demands of Congress and the Moslem League are irreconcilable. But mutual suspicion between Indians and Britons can, and should, be dealt with.

It is first of all a psychological change in the atmosphere of Anglo-Indian relations that is needed; and, secondly, the emergence of a new, more confident and more realistic leadership among the Indians themselves. The distrust of British intentions that is held by the politicians of the two largest parties, which still formally speak for politically-conscious India, is a legacy of the past; and there have been faults on both sides in its making. Nor are there many hopeful signs that either the totalitarianism of Congress or the separatism of the Moslem League, or the opposition-mindedness of both, is likely to be abated by a change of heart among their present leaders. The question is whether these distrustful extremists really represent to-day either the wishes or

the interests of all India. In the past, official and non-official India have seemed incapable of speaking the same language, socially or politically. The new Viceroy has a great chance to create a new atmosphere of ease and understanding.

In the effort to find a meeting-ground for Britons and Indians, the content of government is at least as important as its form. The only important question in the last resort is what is best for the Indian people. Certainly at the moment, economics are more immediately important than politics to most Indians, affected as they are by wartime dislocation and shortages. Americans come back from India even more impressed by the poverty of its common men and women than they are by the "repressiveness" of British rule. To them India is the "deep south" of the British Empire. It is true, as a comparison with other crowded eastern peasantries would show, that Indian poverty is almost certainly less under the British Raj than it would have been without it. But poverty is the basic fact of Indian life; and there could be no better foundation for a common cause between Britain and India than the formulation, first by way of short-term relief and then by way of long-term reconstruction, of a practical programme of social and economic rehabilitation. And as many Indians as possible must be associated with determining and taking the steps required. By looking first to these bread-and-butter requirements and by renewing the appeal for Indians representative of Indian opinion to undertake responsibility for Indian welfare, the Viceroy could give a new direction to the national pride and hope that is at present lost in political frustration. Secure Defence, Social and Economic Reform and the Indianisation of Government—these are the principles of policy that may attract Indians able and willing to take up the chance of independence where the present leaders of Congress and the Moslem League threw it down.

There appears to be no hope, while Mr Gandhi, Pandit Nehru and Mr Jinnah speak for India, of any agreement inside India or settlement with Britain; in their very different ways these men are equally Bourbons, who learn and forget nothing. Congress attempted last year to stage a pointless, violent, brutal and anti-Indian revolt. The Moslem League stood cynically and unhelpfully in the wings, while the Government of India, with distaste and no enthusiasm, dutifully put down the revolt with a firm hand. But the main feature of these unhappy events was that the revolt did not obtain popular backing. It did not stir India as a whole, except to alarm or anger, and the Government did not lose ground by its firmness. However tenacious old allegiances may seem, and however pervasive the influence of the imprisoned Mahatma, the past year has seen the bankruptcy of both Congress and its chief rival plainly revealed. India needs new men as well as new measures.

So far no alternative leaders to the old guard of extremists have appeared. Nobody with both constructive views and wide popular support has emerged. The liberals and moderates, Sir Tej Sapru, Mr. Rajagopalachari and the rest, are still heads without a body. "The voice of the younger generation (wrote Professor Coupland a year ago) can be heard asking for new ideals and policies to meet the needs of a new age." Sir Archibald Wavell can do much to give faith to these voices and substance to their demands. India shall be safe, India shall be fed, and India shall be free; these aims should be his guide.

To Sir Archibald Wavell falls the task of seeking and preparing the way for an honourable abdication. He should firmly set aside the many British officials whose manner and outlook, whatever their ability or integrity, impede co-operation and advance. He must discover among the Indians themselves whether, within the next decade, the unity of an independent India is practicable or partition inevitable. Above all, he must find out whether Congress is capable of diversion from its present blind alley to become the agent of responsible nationhood. These are the preparations that must be made, and these the questions that both India and Britain must be able to answer, when the day appointed for independence arrives.

Doctor and Patient

ON the great question of the post-war system of international order, either a great silence or a great vacuum reigns in Whitehall. It is all the more unfortunate that the Labour Party conference last week should have had equally little to say on this central issue, and that the time and interest of the delegates should have been taken up in a wrangle on Vansittartite lines over the goodness and badness of Germans.

In the context of post-war British foreign policy, this particular quarrel is really irrelevant. The German problem is only part of the wider problem of securing a functioning international system. As the Labour conference debate showed, even if a great majority of the British people were to come to definite conclusions about the Germans' moral make-up, their Government would still be left with the problem of devising a policy to fit the facts of post-war Europe.

In 1918 there was a policy—a detailed policy of which the political corner-stones were the institution of the League of Nations and the system of Collective Security. The policy collapsed, not mainly because the Germans were wicked or vengeful or addicted to National Socialist aggression, but because the victors of 1918 had not energy and resolution enough to uphold the international order which they had planned. True, the patient—Germany—was prone to a relapse. But the doctors—of whom Britain came, by the departure of some and the weakness of others, to be the most important—had not the strength of mind to carry on the very difficult cure they had devised. The unwillingness of the doctor to impose his pattern of health was more crucial than the tendency of the patient to fall back into delirium. And since fate will almost certainly once more thrust the rôle of chief doctor in Europe on the British people, and the attitude of the British people can be judged and influenced here in Britain, it is much more important at this stage of the debate on foreign policy to find out what cure Britain is willing to prescribe and support than to assess the exact degree of frailty among the Germans. It is the doctor, not the patient, who needs to be diagnosed.

That this is so is borne out by another lesson from the inter-war years. The Germans, by a persistent and successful propaganda, were able to mobilise the British conscience against itself. The Treaty of Versailles came to be almost as fiercely attacked in Britain as in Germany. Versailles was certainly not one of the great vindictive treaties of history; its basic principle was that, within half a generation from the Armistice, Germany was to be re-admitted as a free and equal member of the society of nations.

Yet the British were so upset by its "discriminations" that fifteen years later they were prepared to condone Hitler's abrogation of the whole peace settlement. What, then, would be their future reaction to a really bitter and vindictive peace? Obviously an even greater revulsion, leading inevitably to an even weaker handling of a resurgent Germany. The decisive reason for considering the British rather than the German reaction to a possible peace settlement is the plain fact that, if the new Treaty were to arouse orgies of penitence in Britain in fifteen years' time, the British would not uphold it. And if they did not, its provisions, however perfect, would be as ineffective as was the League Covenant after Manchuria and Abyssinia.

The first need, therefore, is not to decide whether Germans are good or bad, but to evolve a peace system which there is a good chance that British public opinion will uphold in ten or fifteen years' time. The other victors will have to make the same research into their own intentions; but our chief concern is necessarily with the British attitude. One of the difficulties about the moral argument is that it is only the two extreme positions that provide a clear indication for practical policy. If the German people are worthy to be treated on exactly equal terms with the victors on the morrow of the victory; or if they are so congenial in their wickedness that there is no hope of redemption—in either case the moral to be drawn for policy is precise and obvious. But if the truth lies anywhere between the two extremes—as it most certainly does—there is a very wide range of possible variance on policy. If, however, this whole argument is dismissed as irrelevant, and the construction of policy is firmly based on a diagnosis of the British people's attitudes and intentions, it should be possible at once to draw a number of practical conclusions.

It is almost certain, for example, that the British people is willing to insist on restitution, as complete as may be possible, of the physical and territorial possessions that Germany had taken from other countries since the rise of the Nazis, and on a thoroughgoing purge from German public life of all those who have played any consenting part in the Nazi regime. Not only is the British people now willing to insist on these policies, but the overwhelming probability is that it will stay willing for the comparatively short period necessary to enforce them. There is a very general body of support for the view that Germany should not only be disarmed when the war is over, but kept in a position of inequality in armament, if not permanently, at least for as far ahead as the mental



EQUITY & LAW
LIFE ASSURANCE SOCIETY

Established 1844

PROTECTION IN WARTIME

● Civilian War Risk Cover without additional charge is normally granted under new Whole-Life and Endowment Assurances — whether With-Profit or Without-Profit.

● A Guaranteed Bonus each year until 1946 inclusive is provided under all new With-Profit Policies — thereafter Bonuses are dependent upon Profits.

Head Office: 163/4, STRAND, LONDON, W.C.2
(temporarily transferred from 20, Lincoln's Inn Fields)
Telephone: TEMple Bar 0281

eye can see. By a most fortunate accident, military strength in these days depends on clearly defined and easily identified mechanical devices such as aircraft, tanks, heavy guns and warships, not on things like muskets (which are easy to conceal) or trained men (who are difficult to define.) The enforcement of disarmament will, after this war, be technically easier than ever before; it may be that, assisted by this fact, the British and other Allied peoples will be willing twenty, thirty and forty years after the Armistice to enforce unilateral disarmament on Germany. If so, unilateral disarmament is a practical policy. If not, it is a very dangerous policy to embark upon. In neither case is it relevant to discuss how much disarmament the German people deserve.

Is there anything else that the victors can be relied upon not merely to demand on the morrow of victory, but to enforce for decades thereafter? Should Germany, for example, be deprived of her heavy industry as a means of making disarmament doubly sure? Almost certainly not; for this would involve a differential lowering of the German standard of living, which would be contrary to the victors' real interests, and would lie very heavily on their consciences. Should Germany be partitioned? Certainly not—unless, indeed, as is most unlikely, she spontaneously partitions herself; for nothing would be more likely to boomerang back in a dozen years than an ill-considered and hasty policy of piecemeal dismemberment. Would the British or the American people be ready in twelve years' time to go to arms to prevent, say, the Germans in the Rhineland from reuniting their province to Germany? Last time, it was only just over four years after the Armistice that British public opinion sided with the Germans against Poincaré and his separatists. Should economic disabilities, such as reparations, be imposed on Germany? Again no; for a prosperous Germany is necessary for a prosperous world, and the logic of this argu-

ment is certain, in the long run, to outweigh any present passion.

In the determination of policy on all these points, discussion of the goodness and badness of the German people is not only irrelevant, it is positively dangerous. If British policy is determined by a sentimental conviction that the Germans are ordinary decent people, who would never dream of aggressing again, the British people may be lulled into inertia, and its leaders lack the stern will and determination necessary to create a system of security, and to make it work, against German or any other aggression. But a passionate conviction that Germans are mad dogs would have much more disastrous consequences. The imposition of a really brutal and vindictive settlement would arouse such a reaction in this country that the reappearance of the appeasement mentality would be a matter of only a very short time. It is no coincidence that many ex-appeasers are among the champions of brutality now. The swing the other way would be as rapid.

If the German problem is approached not from the German, but from the British end, it is possible to concentrate on the essentials—the need for a vigorously upheld system of security against aggression from any quarter, German or otherwise. If such a system exists, and is championed by the peace-loving Powers, there is some reason to hope that the Germans, a malleable people, will fall in with the general trend. It is the existence of an international vacuum that gives the Hitlers their chance. But for that system to be vigorously maintained by Britain, it must be reasonable and just; otherwise the revulsion will set in. The Vansittart debate, by suggesting that realism and vindictiveness, reasonableness and weakness are always paired, does infinite harm to British policy. It must be reasonable—and realistic. If it is vindictive, one day it will certainly be weak.

War Pensions

A SECOND reading was given this week to the Bill establishing tribunals to hear appeals against decisions of the Ministry of Pensions. There is no doubt that Members would have liked to have used the occasion to bring up again the dissatisfaction that is felt with the rate of war pensions and the principles governing their award. But procedure prevented this, and the discussion was on the whole limited to the terms of the Bill, and for the Government's reply to the complaints, Sir Walter Womersley's promised statement must be awaited.

With the first charge—that the present rate of pensions is too low—it is surely impossible to disagree. The pension given to a totally disabled private soldier is 37s. 6d. a week, with allowances of 9s. 2d. for his wife, 7s. 1d. for his first child and 5s. 5d. for each other child. The pension is 2s. 6d. lower than that given to a Great War pensioner, and the allowances a few pence less. This discrepancy the Government explains by the far higher cost of living when the last war's pensions were finally fixed, a logical explanation, but one that ignores the changed attitude towards social service payments in the last twenty years and the gradual approach to the provision of a subsistence income. Even allowing for the fact that, thanks to the revolution in the treatment of the disabled in recent years and to the Ministry of Pensions' own work in restoring the capacity of war victims, even a totally disabled man can often supplement his pension with wages, there can be no doubt that the rate of disablement pension is too low.

The rate for the widows of men who have been killed is even more inadequate, for in cases where there are children, the widow is compelled either to live in poverty on her pension or to leave her children to the care of others and work herself in order to obtain another means of living. Suppose she is the widow of a private and has three children. She would receive 25s. a week for herself, 9s. 6d. a week for the first child, 7s. for the second, and

5s. 6d. for the third—a total weekly income of £2 7s. Can she really be expected to bring up her family adequately on that, let alone in the way they would have been brought up if she still had her husband as a wage-earner? Women with children are exempted from industrial conscription and from direction to part-time work. But the state is compelling war widows with children to take up work by refusing to give them adequate means of support.

It is, of course, impossible for money payments to compensate a woman for the loss of a husband, parents for the loss of a son, children for the loss of a father, or a man for the loss of a limb or his eyesight. But what can at least be done is to base the rate of pensions, not as at present on a level which is something below the wage rate for the lowest paid worker in the country, but on the average wage rate. The principle should be that the men who are called up to serve the community, and their dependants, should not suffer financially if they happen to be victims of the misfortunes of war. The principle cannot be applied in each case individually, but it can be applied on the average. The wounded heads of households, and the dependants of those who are killed, should be no worse off on the average than they would have been if there had been no war. This is the ideal, and it is easily attainable. It is very far from being attained as matters stand at present.

But a far more difficult question than the rate of pensions—and one that is just as much a source of grievance—is who is to receive them. The Ministry of Pensions is quite definite on this point—to receive a war pension, you must be a war casualty, or a dependant of one. Stated simply, this principle cannot be disputed, but then argument arises over what is a war casualty. When a man is killed or wounded in action, the answer is easy. But what is the position of a man who dies a natural death while in the Armed Forces, or is invalided

out for some disease? Under the terms of the Royal Warrant, a man's death must be directly attributable to military service, or due to a wound, injury or disease which was materially aggravated by such service, before his dependants can receive a pension. The same stipulations—attributability or material aggravation—apply to pensions for disability. If, therefore, a man dies of malaria contracted while serving overseas, or is invalided out of the army because of it, he is a pensionable case, for quite clearly it was his military service which sent him to a malaria region. But if he dies of cancer, then his widow is in exactly the same position as the widow of a civilian who dies of cancer. Cancer cannot under any circumstances be regarded as attributable to military service; the man who dies from it is not, therefore, a war casualty, in spite of his war service; and his widow is not eligible for a war pension.

It is difficult to see anything wrong with this principle. War pensions are for war casualties, not for the thousand natural shocks that flesh is heir to. As Sir Walter Womersley said the other day:

I could not recommend that the state should be made liable for the whole range of ailments which affect the population as a whole merely because they occurred during a period of service without being in any way influenced by its conditions.

If the principle were relaxed, it would mean introducing yet one more discrepancy into the system of social service payments. A widow of a miner who dies of cancer now receives 10s. a week, plus 11s. if she has three children. A widow of a soldier who died of cancer would receive £2 7s. Yet if both men had been working side by side on a farm, they would have died just the same. If anything should be done, it is to increase the rates paid to widows and children under the Old Age and Contributory Pensions Acts—if £2 7s. a week is inadequate. How much more so is 21s. Nor is it likely that real war casualties and their families would welcome it if pseudo-casualties were given the same pension as themselves.

But, say the critics of the Ministry of Pensions, though we agree with the principle, we do not agree with its interpretation. Surely, if a man has been passed A1 at his medical board, any illness he may subsequently contract must be due to his military service. The argument has only to be stated for its absurdity to be apparent, but this is in effect what the supporters of the slogan "Fit for service, fit for pension" are really claiming. Banks, to take one example, have new entrants to their staffs medically examined, but if any of them certified as perfectly fit subsequently die of cancer or a coronary thrombosis it is not held that those diseases are attributable to their banking service. What the medical boards do is to try to find out if a man has any disability when he is called up or had any disability in the past which might recur during military service. They are, however, hampered by the fact that they often have to rely for past medical history on the man's own statement, and

over and over again when a man has subsequently been discharged for some complaint, it has been found that he concealed symptoms and past medical history at his original board.

This concealment of symptoms is particularly true of those suffering from what is now called psychoneurosis and sometimes in the last war shell-shock. Awards of pensions in the last war were granted on the same principle as they are now, that is, the disability had to be attributable. But it was held that shell-shock cases were attributable, as well as neurasthenia and other nervous complaints. Pensions were accordingly granted, and one of the most frequent complaints brought against the Ministry of Pensions today is that in this war it has refused to allow psychoneurosis, except in a few cases, to be called an attributable disease.

The reason for the change of view is two-fold. Far more is known about neurosis to-day than in 1914-18. It is now realised that it is possible to be born with a neurotic or psychopathic temperament. The circumstances of life may bring out neurotic symptoms, but the underlying tendency is always there. Most soldiers who passed through the awful ordeal of Dunkirk suffered no more than a temporary nervous instability. Those on whom it left permanent traces were nearly always those who were subsequently found to have had a past history of nervous symptoms. The other reason for not granting pensions in cases of psychoneurosis is that it is not in the interest of the sufferers themselves. The shell-shock cases of the last war were gross compensation hysterics. They produced their paralysed arms and legs—albeit unwittingly—because they were mentally unfit for army life. They continued to have paralysed arms and legs—and sometimes loss of sight—because after one motive had been removed, by their discharge from the army, another motive was granted in the form of a war pension. It cannot be too strongly urged that those who plead for pensions to be given today to psychoneurotics who are discharged from the Armed Forces, even if they were at Dunkirk or have been torpedoed, are being kind only to be cruel. If psychoneurotics are to have a chance of being active hard working members of the community they should not be given war pensions.

This class of disabled is important, not only because on the face of it a man suffering from nervous symptoms after bad war experiences seems to qualify as a war casualty, but because of its size. In 1942, the proportion of men invalided out of the army for neurosis was 17 per cent of the number invalided out on account of all diseases. Seventeen per cent was also the figure given recently for the proportion of rejected pension claims accounted for by psychoneurotics. But there should be added to the number diagnosed as suffering from psychoneurosis the very large number discharged as suffering from gastric and similar complaints. More and more it is being realised that many disabilities are physical symptoms of a neurotic temperament, and the true pro-

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

Capital Authorised & Subscribed - - £10,000,000
Capital Paid Up - - - - £2,500,000
Reserve Fund - - - - £3,000,000

Head Office: 10, CLEMENTS LANE, LOMBARD STREET; and 77, KING WILLIAM STREET, LONDON, E.C.4
London Wall Branch: 63, LONDON WALL E.C.2. West End Branch: 9, NORTHUMBERLAND AVENUE, W.G.2.
New York Agency: 67, WALL STREET.

Over 380 Branches, Sub-Branches and Agencies in South, East and Central Africa.

BANKING BUSINESS OF EVERY DESCRIPTION TRANSACTED AT ALL BRANCHES AND AGENCIES

portion of psychoneurotics among those discharged from the Armed Forces is probably more like 25-30 per cent.

Does, then, the whole case against the Ministry of Pensions, in its award of pensions, fall to the ground? The main charge certainly fails, but there still remain a large number of doubtful cases and hard cases where the letter of the regulations is being adhered to too strictly. It is quite true that, in all stories of hard cases, only one side is heard. The public is never told, unless the matter is raised in Parliament, of the Ministry's version of the story. An applicant's past medical history is not revealed. The Ministry of Pensions claims that in

dubious cases the applicant is given the benefit of the doubt—and the fact that pensions are now given more freely in cases of tuberculosis, a doubtful service disease, bears this out. Nevertheless, there still remain anomalies and hard cases. Some of these will, it is expected, be dealt with in Sir Walter Womersley's forthcoming statement, and the new appeal tribunals should tend to rectify the others. But while the Ministry of Pensions can be supported on the main principle, a little more generosity in carrying it out can still be pleaded for. Grievances on the subject of war pensions there will always be. But they should not be allowed to be genuine.

Balkan Strategy

JUNE 22nd has come and gone. This is the classic time of the great German offensives; only this year there are apparently to be none. The vast war machine is switched to the defensive, and everywhere in German Europe the change in strategy has brought with it far-reaching modifications in the policies of puppet governments and the lives of their subject peoples. In 1941 and 1942, when all the emphasis was on delivering a knock-out blow, the satellite Powers were expected to make their contribution in the shape of divisions for the Russian front. The blows failed. The armies were decimated. Meanwhile, the drawing away of manpower and horses from the predominantly agricultural South-East led to a serious economic breakdown in the various Balkan countries. With output declining and food supplies falling short, they threatened to become a liability to the German war machine.

Now the strategy has changed, in tune with the change in Germany itself to "total mobilisation" and the "battle for production." If the Continent is to maintain itself without the addition of booty from further conquests, the Balkans must be restored to their pre-war rôle, that of supplying large agricultural and mineral surpluses to the German economy. In four years of war, the surpluses have largely disappeared; they must now be restored. The first step in the new German strategy—which was doubtless exhaustively discussed in the series of spring meetings between Hitler and the puppet leaders—is to demobilise the satellite armies and to return them with all speed to agriculture and industry. The troops of Hungary, Slovakia and Croatia have all come home by now. There is only a token force of Roumanians in the Kuban. In all the South-Eastern countries, stringent laws of total mobilisation are in existence. With a few exceptions, this mobilisation now covers all men from the age of 12 to 70. Although they are being returned in the first place to agriculture and to such special German needs as the copper mines in Southern Yugoslavia, some labour in Greece and occupied Serbia is attached to the Todt organisation, and is working on railways, roads and defences. In Roumania, too, hundreds of workers needed on the land are engaged in improving communications.

In this division of labour, the fighting falls to the Germans. Whether by choice or necessity, they are meeting the needs of defensive warfare out of their own resources. The only foreign troops are the various *Waffen SS*, recruited from among the toughest Axis supporters in the South-East. The *Volksdeutschen*—the German minorities scattered through the Balkans—are the backbone of these special volunteer divisions.

The Germans clearly expect an onslaught from the South-East. For months now defence workers have been busy rebuilding the Metaxas Line, constructing defences the length of the Athens-Belgrade railway, fortifying the Greek coasts and some of the islands—Lemnos is said to be very heavily fortified. The evacuation of Salonika and its environs has been reported. In Bulgaria the mountain passes have recently been fortified, and Burgas and Varna on the Black Sea have been converted into effective naval

bases. The Italians do not seem to be playing a decisive part in these preparations. They are no longer responsible for the defence of Greece, where all the key points are controlled by the Germans. They maintain garrisons in Albania, Dalmatia and Croatia, but the crucial fighting against the guerillas in Montenegro and Serbia has been the Germans' responsibility, while a good deal of police work in Serbia, Macedonia and Thrace has fallen to the lot of the Bulgarian army.

It is possible, from these dispositions, to guess at the Germans' general strategy of defence. Their aim in the Balkans must be to defend Roumania (for its oil), and to prevent a break-through into the great plain of Central Europe. The loss of Greece, of Italy, even of the Adriatic coastline would not necessarily give the Allies access to the key areas in the South-East. On all these perimeter defences, the Germans are probably thinking in terms of very tough rearguard actions, but not of an all-out defence. The Balkan terrain is in any case very unfavourable to an attack from the South, since the main lines of communication northwards run through mountainous and easily defensible country.

The pivots of the German defence system are Bulgaria and Hungary. The greatest military activity just now is reported from Bulgaria, where German headquarters are stationed. All the aerodromes have been taken over, and strong German air units are reported to be concentrating there. The flat lands give the Germans defenders great advantages in terms of airfields, and they can there deploy mechanised force which cannot be used in the mountains, and which the Allies would have difficulty in bringing up with them in an overland advance. Hungary is the second point of concentration. Here again, the flat territory would give the German defenders considerable advantages in terms of air bases, while Allied armies would be fighting mainly in mountainous country. The Balkan defence system, thus conceived, would be mobile and elastic, and the Germans can hope that the Allies, after exhausting themselves in expensive attacks on the outposts, would have to face a heavy counter-offensive from the air, and heavily mechanised armies operating from well prepared and equipped supply bases.

The plan is soundly conceived; but it has some dangerous flaws. In the first place it will not be possible, however much the men are returned to the land and to industry, to put a stop to the steady decline in Balkan productivity. The reasons for this vary from country to country—for example in Hungary, economic policy is caught in a dilemma between the need to divide the big estates, and thus arrest the steady drift to the cities and the need to preserve the estates as large scale and efficient agricultural units. In Roumania, the smallness of the peasant holdings and the lack of agricultural machinery make it impossible to increase production. The German-inspired attempt to group peasants together in voluntary *Kolkhozes* has not been a success. In Croatia and Bulgaria, too, inefficient peasant organisation is at the root of declining output. In all the South-Eastern countries, inflationary tendencies are very much out of hand. In all

of them the peasants refuse to give up their supplies, either to the towns or the Germans. Except perhaps in Hungary, none of the political administrations are efficient enough to introduce a proper system of rationing and price control. The results are, of course, inevitable—a skyrocketing cost of living and, everywhere, recourse to extortionate black markets.

The economic and political uncertainties of the area are obviously increased by the extent to which Yugoslavia and Greece are still in the fighting war. Every German attempt to stamp out the activities of the guerillas in Yugoslavia and Macedonia has been ineffective and costly. After their recent four-week drive in Montenegro, the Germans claimed that the area had been "finally cleared." This is probably the tenth time in two years that such an announcement has been made. The Germans know that when the invading armies strike, there are organised armies on Balkan soil waiting to strike with them. Given a successful landing, there is no knowing how far or how quickly the spirit of resistance will spread. In all their Balkan outposts the Germans are walking on mined ground.

The pivotal points of their defence system—Hungary and Bulgaria—look more secure. These two nations are the "Haves" of the Axis system. The Vienna Award, the dismemberment of Roumania and Yugoslavia, were all to their advantage, and their only hope of preserving their privileged position is the maintenance of German hegemony. Yet, even here, there is uncertainty and uneasiness. Both nations have used their importance to Germany to manoeuvre for a certain minimum freedom of action. The growth of criticism in the opposition parties in Hungary was rapid enough for the Government to close Parliament on May 4th. In Bulgaria, too, the Vice-President of the Sabor has been dismissed, and all pro-Axis officials

have lived for the last six months under the threat of assassination. There is a strong opposition movement in both countries, and only the combined pressure of Regent and Government in Hungary, and King and Government in Bulgaria, prevents a more vocal and violent reaction.

Finally, it is generally reported that the morale of the German soldiers, on whom, ultimately, the whole defence plan turns, is none too good. It is easier to organise high spirits for victory than for a long defensive campaign among the inhospitable mountains and even more inhospitable peoples of the Balkans.

Amphibious operations in South-Eastern Europe, if the Allies undertake them, will be hard and costly. The Germans have the advantage of the terrain. Their plans have been shrewdly made. They can count on a certain amount of quisling support. Against this, the United Nations can set their growing strength in the air and on land, the support of thousands of trained fighters inside the peninsula, and the growing uncertainty among the puppet governments who know that Germany's hour has struck. Of these, the support of the guerillas is probably the most valuable asset. That is why it is essential, on the eve of the operations, to repeat unequivocally the call for unconditional surrender. Greeks have not died in Thrace and Macedonia in order to provide King Boris with an easy way out of the German alliance. The partisans are not fighting in Croatia for the political future of the Hungarian Prime Minister. Concessions to the satellites at this point would lose the Allies the actual support of thousands of seasoned fighters as well as the potential support of all those who, underground, have fought German predominance in Hungary and Bulgaria. If the Allies stage a successful landing, the quislings will appease them in any case. It is useless to compromise the enterprise in advance by appeasing the quislings.

NOTES OF THE WEEK

The Third Year

The second anniversary of Russia's entry into the war found a protracted lull on the eastern front. Last summer Hitler could still afford to discount the danger of a Second Front in Europe. He plunged into the second act of his Russian venture, which was again to end in defeat. Now, the threat of an Allied invasion of Europe is real and imminent; and the German High Command has so far been deterred from beginning large-scale operations in Russia. Even apart from this threat, German experience in 1941-1942 does not offer much hope, to say the least, of a strategic decision in the east. Russia has stood the test. The first year tried the strength of its political regime; defeats and retreats produced some critical effects, but the defence of Moscow in December, 1941, worked powerfully to overcome the strain on morale and to stabilise the structure of government and leadership. The second year tested the economic strength of the Soviets; and Russia's "rump economy" showed itself capable of sustaining the fighting fronts. The war of attrition has had a severe effect on Russia's economic life. The losses in material alone are put officially at 35,000 guns, 30,000 tanks and 23,000 planes lost on the battlefields; and these are only the three most important items on a very long list. Although the gaps in Russia's productive capacity have been to some extent made good out of Lend-Lease deliveries, Russian production is severely handicapped by shortages of labour, raw materials and plant. In various parts of the country the civilian population has been reduced to a state of semi-starvation. Thus attrition goes on, even though there is a lull in the fighting. Yet the enormous strain has not produced the crisis the Nazis hoped for. Russian morale is excellent, and securely grounded in the people's belief in the justice of their cause. This confidence has inspired the Russians with an amazing spirit of endurance. Allied victories in Africa and in the Mediterranean have heightened Russian morale still more, and the Russian people look beyond the lull to its end. As the Soviet statement on the two years' fighting put it:

Without a Second Front in Europe victory is impossible. Should the Second Front be postponed this would cause a serious setback to the common cause. It would prolong the war and increase the casualties on the Allied side.

* * *

Policy in the Ostland

In the course of the first, and until late in the second, year of the campaign in Russia, Hitler hoped to achieve victory by purely military means. Relying on strategic success, he discarded nearly all the political trump-cards he might have used. The collective (*kolkhoz*) system was not destroyed in the parts of Russia occupied by the Germans because it was expected to serve as a convenient instrument for requisitioning supplies. No attempt was made to set up a Russian quisling administration, because the conquerors of the *Ostland* were carried away by their racial contempt for the Slavs and considered any such administration to be superfluous. The old pledges given to the Ukrainian nationalists to set up a Ukrainian state were broken for the same reason. Contempt for politics and an almost superstitious belief in the omnipotence of armed force were the two chief points in *Ostland* policy. Now that the German war machine has failed, an attempt is being made to revive political warfare. The collective farms in occupied territory have been officially dissolved, and the peasants have been allowed to share out the land among themselves. A Russian quisling army under one Vlasov is being organised, and once again the Germans are turning to the Ukrainian nationalists. But it is rather late in the day for successful political warfare. The gift to the peasants is not impressive, for they are getting the land minus all the tools and livestock which the Germans have already looted or destroyed—and minus most of its produce, which the Germans requisition. The unknown puppet Vlasov cannot hope for any appreciable response—after Stalingrad. And how much are the Ukrainians likely to listen to the new appeal, now that Eastern Galicia has been incorporated into the General Government of Poland, and

of each Service, for technical and tactical reasons, will be more needed than others for the Pacific fighting, or for occupying Japan and other territories. It is indeed essential that demobilisation should be as far as possible fair, but it cannot ignore considerations of efficiency and economy. And these considerations apply behind the lines as well as at the front. If the transition from war to peace is to be more orderly than last time, some workers will be needed more than others when peace industry is starting up, and the process of re-equipment and reconstruction is begun. Industrial demobilisation, like military demobilisation, will at first be partial. Not all the capacity of the munitions industries will be needed to supply the Pacific theatre. Some will be retained on war service; some will be freed to take up peace work. Unless a clear-cut policy is made and explained, there will be bitterness between employer and employer, and between worker and worker, as well as between soldier and soldier. Certain principles of industrial demobilisation can perhaps be roughed out: that capacity capable of working directly for export should be freed from war obligations as soon as possible; that food, clothing and shelter should come before luxuries; that industries capable of being reconverted to peace work without expensive re-equipment and re-tooling should be allowed to turn over as soon as practicable, in order to economise the resources needed for immediate reconstruction; that British demobilisation, both of machines and men, should be an integrated part, not only of the continuing war effort of the United Nations, but also of the joint plans made by them for relief and reconstruction on a world scale. Sir William Jowitt is right. There must be no pointless argument. But the Government must make prompt decisions, and they must be made known and fully explained. Only in this way can acrimony possibly be avoided.

the Minister of War Transport, the railway workers' wage claim has at last been settled. On June 18th, the executives of the three unions accepted a general increase of 4s. 6d. a week, to date from April 26th, and to apply to over 400,000 workers, including women. There will be much relief that this issue is now out of the way. But though the railway workers' claim has been settled, other wage claims are pending. The demand for a 10s. a week increase for 120,000 railway shopmen is still under discussion. The bus workers, whose application was recently rejected by a special tribunal, are presenting a fresh claim, while the decision of the AEU (referred to on page 830) to formulate a comprehensive long-range programme for higher wage standards may lead other unions to follow suit. These developments are probably inevitable at the present time; with full war employment, labour's bargaining position is strong, and its aim is to safeguard future wage standards against the pressures that may develop in less favourable conditions. There is a strong case for raising the wages of the lowest paid workers, for equalising the rates of men and women on the same job, and increasing the general level of women's wages, and for ironing out specific anomalies and injustices. But looked at objectively, it is difficult to justify the claim for generally increased wage rates at the present moment; the cost of living has been kept stable by means of subsidies (it is actually down a point this month), and though prices of secondary goods, such as furniture and household equipment, have soared, this could be corrected by the extension of utility production and increased price control. It cannot be imagined that the main object of the workers in pressing for wage increases is that they may have more to "lend to defend." *The Times* has, somewhat disingenuously, argued in connection with the railway workers' increase that "the existence of comparable wage standards will ease the necessary adjustments" in the post-war period, that is, facilitate the flexibility of labour, one of the basic conditions for the achievement of full employment. But recent trends have not been in the direction of a general levelling of wages; on the contrary, the increases secured have tended to be in proportion to the previous rates, and the strongest and probably the most highly-paid sections of the working-

Introspection in Australia

For a week, the French National Committee wrestled unsuccessfully with the problem of army control and reorganisation. Although the chief points at issue were rather obscured by the spate of plans and counter plans, the controversy seems to have turned on two questions: the degree of authority to be exercised by General de Gaulle and the speed with which the reorganisation was to be carried through. The debate was closed by Allied intervention. General Eisenhower intervened to press the point that Allied interests were involved, that a change in the French High Command in North Africa would be unwelcome, since General Giraud had proved an able and loyal collaborator, and that any "purge" which upset the fighting efficiency of General Giraud's forces could not be tolerated. This intervention made the position occupied by General de Gaulle untenable, since it excluded him from control and gave Allied support to the Giraud thesis of a more cautious reorganisation. The moment of crisis had thus arrived. Would General de Gaulle withdraw from the Committee? Would the attempt at unity founder within a week? It says much for the authority of the new Committee and for the strength of the pressure for unity that the catastrophe was averted. A compromise has been reached which, while leaving the forces in North and West Africa under General Giraud's command, and the forces in the rest of the liberated Empire under General de Gaulle, sets up a military committee composed of the two Generals and their chiefs of staff for land, sea and air, to arrange a fusion of the two commands in the shortest space of time. The good point in this compromise is the existence of this military committee, presumably under the general authority of the National Committee which created it. There is thus some central direction which will be further strengthened by the fact that the financing, equipping and provisioning of both commands will be centralised in the National Committee. The bad point is, obviously, the continuance of a division based on personalities, in the centre of the French war effort. The most urgent task before the French is to ensure that the new military committee does its work of unification speedily and well. The withdrawal of a number of high officers (among them Admiral Michelier, General Prioux and General Poupinel) who were most unacceptable to the de Gaullists will immediately help to create a better atmosphere in which to carry on the task of fusion.

Strategically and diplomatically, a great change has taken place in the position of Australia in the past twelve months or so. Early in 1942, it was tough and go; Australia was in great danger, and its harassed and anxious Government was out of temper with the earlier strategy that had placed Australia's front line in the Middle East. Britain was down in the Government's esteem and the United States, to whom they looked for salvation in the Pacific, was up. Now things are very different. A few weeks ago, Mr. Curtin pronounced Australia safe from invasion. Dr Evatt, Minister for External Affairs, who has been visiting this country, has expressed himself well satisfied with the war strategy and material aid of both Britain and the United States. The recent decision of Mr Churchill and President Roosevelt, when together in Washington, to pursue the campaigns against Germany and Japan "with the same vigour," "concurrently" and not "consecutively," has obviously found generous recognition in Australia—whatever doubts it may have raised in the minds of those who believe, probably rightly, that the quickest way to end both wars is by the concentration of forces. In Australia itself, however, there is no such happy atmosphere. The recriminations which have waned abroad are waxing at home. Mr Curtin has chosen to repeat his charge that the Menzies Government neglected the defence of Australia; and the Opposition parties have come together this week to support a vote of no confidence in Mr Curtin. The Prime Minister is accused of permitting the trade unions to endanger the war effort and, generally, of an undue deference to labour which is preventing the war from being placed upon a total basis. According to brief and incomplete reports, Mr Fadden has even suggested, somewhat surprisingly, that the burden of war taxes on present taxpayers and on industry could have been abated and that the shortage of commodities is in some way the Government's fault. These events should not, perhaps, be taken too seriously. An election in October, if not before, is certain, and the rival parties are taking up their platforms with a flourish of trumpets. The danger is that the party bitterness which is so characteristic of Australian politics may, despite the professions of the contenders, weaken the united and unstinting effort which they both claim to support. The relaxation of immediate danger has not proved an unmixed blessing.

On Thursday, last week, Sir William Jowitt, Minister without Portfolio, spoke again of the problems of demobilisation after the war, and their complexity. He rightly said that it would be foolish—and he might have added dangerous—to involve the members of the fighting Forces in any controversy now about rival schemes. Demobilisation will be difficult enough without being prejudiced in advance by embittered discussion. Nevertheless, silence is no solution. The very fact that it will be difficult to devise a programme that will be both fair and efficient requires, first, that a policy should be decided upon promptly, and, secondly, that it should be explained intelligently as soon as possible to prevent misunderstanding later on. The Government is committed in general terms to release men when the war is over according to their age and length of service. There are several reasons why it will not, in fact, be possible to base demobilisation entirely on these principles. The first is the fact that there will be no clean-cut break between war and peace. After Germany has been beaten, there will be Japan to deal with. There will, moreover, be a need for armies of occupation. Demobilisation, that is, will be partial; and the choice between keeping one man and releasing another will in part have to be decided on grounds quite other than age and length of service. Transport, for instance, will obviously be an influential factor. Inequitably, but probably inevitably, troops already in or near the East will tend to be called first into the Eastern fighting. Moreover, the Army, Navy and Air Force are not homogeneous bodies. Some sections

Wage Increases

After many months of negotiation, with successive claims and counter-offers, and finally a direct approach to

***"We are very proud
of you"*** HM the QUEEN

H.M. the QUEEN
IN A BROADCAST MESSAGE
TO WOMEN OF THE EMPIRE.

WE are all proud of them—the hundreds of thousands of young women who are serving their country. But we are especially proud of those who go overseas—not least of the nurses who care for the men of our fighting Forces in North Africa and elsewhere.

Think what it means to these women to have Y.W.C.A. huts, leave hostels and mobile clubs to brighten their hard-earned leisure. And wherever swift moving events open up a new need the Y.W.C.A. will be there, if funds permit. This is YOUR part—help us not to fail our women.

-Y.W.C.A.-

£250,000
URGENTLY
NEEDED
FOR 1943

Please send a donation to—
MRS. CHURCHILL
 (President, Y.W.C.A. War Time Fund)
10, DOWNING ST., S.W. 1
 (Marking envelopes Y.W.C.A.)

(Registered under the War Charities Act, 1940)

class have set the pace. The movement is one of "catch-as-catch-can," and it is surely time for the Government to take stock of the whole position.

British Aircraft

Post-war civil aviation is an exciting topic of discussion. The latest contribution comes from the aircraft industry in the form of a report entitled "The Future of British Air Transport," issued by its organisation, the Society of British Aircraft Constructors. The industry which, according to the report of the SBAC, now employs "nearly two million workers," is faced with the prospect of drastic curtailment after the war. Sir Stafford Cripps stated, on June 4th, that the industry could not maintain more than one-tenth of its present output in peace. Its interest in civil aviation is therefore natural. Although military demand must remain its mainstay, the industry foresees a rapid growth in civil aviation. The SBAC, anxious that the industry should be able to meet the demand for civilian types of aircraft after the war, suggests that, "as a first step, it should be allowed to adapt existing bomber types for use as transports, and to put them into large production immediately." Any transfer of resources from the manufacture of military aircraft to the manufacture of civilian types must be at the expense of the former—a fact which is recognised by the SBAC; and the decision to make such a major change in the British production programme could only be taken by the military authorities of the United Nations in concert. On June 1st Mr Attlee informed the House of Commons that arrangements were in hand for the adaptation of existing types, and that it had been possible to allocate the design for some four types of new planes to certain firms. For the future organisation of air transport, that is, of operations as distinct from manufacture, SBAC is strongly in favour of competition—within limits—and against the policy of the "chosen instrument." Its views are based largely on the experience with Imperial Airways.

Not one all-metal aircraft designed and built for Imperial Airways was ever sold to another operator. In fact, some Imperial Airways contracts for aircraft included a clause which forbade the constructor to offer the aircraft elsewhere—and this at a time when American aircraft companies, stimulated by a competitive, virile and rapidly expanding domestic airline system, were able to offer to airline operators all over the world efficient, stressed-skin, all-metal aeroplanes.

Quite legitimately, SBAC is in favour of a policy which will enable the British industry to supply machines not only to British but also to foreign operators on a competitive basis. SBAC holds that any subsidies which may be needed after the war should be given not to manufacturers, but to operators. The critics, who have lately been very vocal about the alleged charmed circle, made up of the Society's full members, will, according to their temperament, be relieved or still unimpressed by the stress laid, very properly, in this report on the need for equal opportunity for all members of the industry—which would involve "adequate assistance" to the smaller and newer companies.

Jugoslav Cabinet Crisis

A crisis in the Yugoslav Government began over a week ago after the visit of the Russian Ambassador, M. Bogomolov, to King Peter and the subsequent withdrawal of M. Jovanovitch from the office of Prime Minister. His departure has been greeted with some relief, for the strongly anti-Croat bias of his Government made it certain that no way out would be found from the difficulties and divergences which at present divide Serb and Croat, Chetnik and partisan in Yugoslavia itself. The Jovanovitch Government had also earned the dislike of Yugoslavs in exile. The Union of Yugoslav Journalists recently protested against the measures taken by the Government to prevent hostile criticism, and some of M. Jovanovitch's own colleagues in the Cabinet were alienated by his autocratic methods. It is one thing to get rid of a Ministry. It is quite another to form a new one. Most unhappily, the attempt made last week by M. Baujamine has split on the reef of pan-Serb Chauvinism. It was M. Baujamine, a Serb of Croat origin, who framed the Corfu Agreement, which, in the last war, was the basis of Serb-Croat collaboration; and it was widely hoped that where he had succeeded once he would succeed again. His failure has been followed by a new attempt, this time on the part of M. Bobitch. He is a Serb, a former Mayor of Belgrade, and unfortunately his

political record does not give much hope that the Yugoslavs will reach an agreement under his aegis. The prolonged crisis is only one example of the tragic way in which the Governments of Europe are still unable, even after the lesson of Hitlerism, to come to terms with their minorities. Czechs and Slovaks are still divided, though less than before Munich. The Poles and the Polish Ukrainians have not discovered a common language. The tension between the Serbs and the Croats, which was the unhealed sore in the side of Yugoslavia for twenty years between the wars, is still there to poison the relations between the two peoples. It must be hoped that as a result of their common experience of oppression the men in occupied territory have learnt greater mutual respect and tolerance than the émigré politicians.

Extension of Monopoly?

The progress of trade associations, fortunately for the consumers of the products that they control, is not all plain sailing—even in the favourable circumstances of wartime restriction. The Proprietary Articles Trade Association, which is made up of both the producers and retailers of the perfumery, toilet and medicinal preparations with which in the main it deals, is one of the strongest of its kind, and its methods are characteristic. It has a comprehensive "protected list." It fixes and maintains retail margins. It watches vigilantly for the cutters of margins or prices and black lists offenders. Its methods have been widely copied. Yet, until the war, the PATA always felt that there was a gap in its organisation. The prices of most of the well-known and largely advertised lines of goods with which it dealt were fixed and maintained, so far as chemists and the large multiple stores were concerned; but it was not easy to ensure that these fixed prices would be observed by the many hairdressers and perfumery shops who also sold these classes of goods. The war came to the Association's rescue. Owing to the shortage of supplies, the cutting of margins by these outsiders practically ceased. Indeed, the restriction of supplies was followed by an extension of the restriction of trade. It is reported that a Hairdressers' Trade Association has been formed which is (to quote the *Perfumery and Essential Oil Record*)

like the PATA, an organisation with manufacturers, wholesalers and retailers, with a constitution and rules based upon those of the latter association . . . it may be expected that, in due course, the effective price maintaining of proprietary perfumes, toilet and hair preparations throughout the hair-dressing trade will be noticeably extended through the instrumentality of the Hairdressers' Trade Association.

Among the members of the manufacturing section of the new hairdressers' association are firms which figure largely in the PATA. The PATA, in fact, has gained a considerable extension of strength. But elsewhere there is trouble—with another trade association. Proprietary articles include, in addition to perfumery and toilet articles, proprietary medicines; and among these are many medicines which pharmacists like to regard as their own exclusive preserve. This is where the conflict arises, since the PATA "protects" other vendors of medicine than the pharmacist proper. This led some time ago to the formation, on the suggestion of the National Pharmaceutical Union, of an organisation called the Chemists' Friends. This organisation asks manufacturers to limit the sale of their proprietary medicines to pharmacists only; if they agree, they get the privilege of a place on the Chemists' Friends List. So here is yet another device to monopolise the channels of retail trade. PATA complains that the Chemists' Friends are

prohibiting traders under penalty from granting, if they so desire, normal display facilities to the manufacturer-members of the PATA.

It looks as if two trade associations, two quasi-monopolies, are starting a fight. Unfortunately, when this has happened in the past, it has usually ended in a friendly understanding to make the monopoly complete.

Labour in the Eastern Dependencies

Major Orde Brown, Labour Adviser to the Colonial Office, covers Ceylon, Mauritius and Malaya in his latest report (Cmd. 6423) on labour conditions in the colonial empire, dependencies which are very different in their stage of development, both politically and economically. Yet they have much in common in their labour conditions.

All three territories, when they were first opened up, had to depend on an imported labour supply. The indigenous people of Ceylon were unwilling to renounce their independent lives as peasant proprietors, living on a subsistence economy, to work as whole-time labourers on the new coffee and later the tea and rubber plantations. There was consequently an outlet for the people in neighbouring over-populated India; and to-day the Tamils employed on estates number some 660,000. Indians have similarly migrated to Mauritius, where they number about 270,000, a figure which is nearly double the whole of the rest of the population put together. In Malaya, the percentage of Chinese in the population is about 40. Almost all the labour force in the tin mines is Chinese, whereas on the estates the Indian population heads the list with 185,000 males and 119,000 females, against 72,274 and 13,731 respectively for the Chinese and only 17,446 and 11,953 Malays. Except in Mauritius, where the Indian population has settled down and where there is a strong local pride, this dependence on migrant labour which periodically returns home has had an unsettling effect on labour conditions. But before the war the Indian population, particularly in Ceylon, was beginning to be more stabilised. There has consequently arisen in that island a danger of over-population, intensified by a natural increase in the population of about 100,500 per annum. Unemployment is serious in the towns, and the preference given by the Ceylon Government to the employment of Ceylonese rather than Indian immigrants has embittered relations with the Indian Government. Major Orde Browne considers that if the increasing population is to be maintained without a persistent depression in the standard of living, the discovery of additional agricultural resources is necessary—but when new land is cleared for cultivation a serious practical difficulty arises in the outbreaks of malaria that occur. In Malaya and Mauritius, the danger of over-population has not yet arisen. In the latter, the chief problem is how to improve the health of

a poorly-paid, under-nourished, sickly population, capable only of such a limited output of work that an increase of wages offers little promise of improved performance.

In fact, in all three territories, but particularly Mauritius and Malaya, there is an urgent need to improve the people's diet. The provision of a meal to labourers on the estates is urged where possible, but in Malaya the introduction of

cooked rations would, Major Orde Browne believes, meet with insuperable objections from the workers themselves because of social and religious prejudices. He also considers that in the past the Governments of the territories have left far too much to the estate owners in the provision of education, housing and other welfare facilities for the immigrants. This shifting of responsibility, which means that welfare becomes dependent on the market prices of rubber, palm oil, sugar and tin, has been mainly due to the pre-war principle that a colony should only spend on such things what it could afford from its own financial means. Now that this principle has been abandoned, the estate owners and mine owners should be relieved of a responsibility which ought never to have been placed upon them.

Shorter Notes

A Gallup poll taken in Canada on the subject of the Dominion's post-war status showed that 49 per cent of those questioned (most of them of British stock) would like Canada to remain in the Commonwealth, 24 per cent (mostly French Canadians) would prefer to be wholly independent and 21 per cent (mainly immigrants) would prefer adhesion to the United States. (The remaining 6 per cent were undecided). These results are much as might be expected, and they should not be regarded as alarming. More than twice as many Canadians prefer the present arrangement as would vote for either alternative.

According to a parliamentary answer, the number of papers and periodicals published in this country in foreign languages or under foreign auspices, which receive assistance from the Ministry of Information or other Government Departments to enable them to obtain paper, is 87. Eight are dailies, 2 are twice weekly, and 18 are weeklies; the rest are published fortnightly or monthly or less frequently. Their consumption of paper is at the rate of 27.4 tons per week. There are also a considerable number of other periodicals published by foreign interests without any assistance from the British Government.

Letter to the Editor

Personal Incomes

THE EDITOR OF THE ECONOMIST

SIR,—Your article in *The Economist* of May 22nd on "Personal Incomes" concludes that wage-earners have had the absolute real value of their incomes increased during the war, and that, as a consequence, the wage-earner is likely to be permanently better off, both absolutely and relatively, after the war. This may or may not turn out to be true; but so far as the evidence in the National Income White Paper is concerned, there appear to be several points on which your deductions from that evidence need qualification.

Because of EPT and heavy income-tax, business firms are at present having to withhold very large sums from distribution in order to maintain their additions to reserves; this is very clearly shown in the White Paper. The fact remains that these sums are still property incomes, even if the State does take a large part of them in taxes and if the companies keep the remainder to themselves. So far as post-war prospects are concerned, attention should be addressed to total private incomes, impersonal as well as personal.

For this purpose, transfer payments must be added to national income; public authority income from owning property, running trading services or holding National Debt must be deducted. Transfer payments include National Debt interest as well as social insurance benefits. Since a large part of the latter goes to wage-earners, as an alternative to wages when there is unemployment or sickness, it is easiest to include the whole of them along with wages. To do so involves merely an approximation of the same kind as your inclusion of the whole of National Debt interest in property incomes. The table then reads:

	PRIVATE INCOMES (£ million)		
	1938	1942	1942 in 1938 pounds
Property income, including National Debt Interest	1,774	2,751	1,897
Salaries, etc.	1,081	1,408	971
Wages, etc., and social security payments	2,065	3,677	2,536
TOTAL	4,920	7,836	5,404

On this showing "wages" have risen 22.8 per cent in value, property incomes have risen 6.9 per cent (not, as you suggest, fallen 17.6 per cent).

It is worth while asking what the 22.8 per cent increase in "wages" covers. How much of the increase is due, not to wage-earners being better off, but to there being more "wage-earners"?

Wage-earners here include all the men and women in the Forces who are not officers. A good many of them were salary-earners before the war; most likely they will return to that status after it. The fact that "salaries" have fallen by more than £100 million since 1938 does not mean that individual salary incomes have been reduced but that there are fewer of them—and correspondingly more "wage-earners." On your methods of calculating real change, salaries and wages together have risen less than 12 per cent in value.

Next, there are all the women who have gone into industry, of whose pre-war labours the national income calculations take no account, because they were unpaid. Your observations on the income distribution given by the White Paper surely go astray on this point. Your statement that well over a million persons, on balance, entered the £250-£500 group in the period 1940-41—1941-42 could only be rightly deduced from the table of the Board of Inland Revenue

ceased to recognise marriage. A man's income—for tax purposes!—may cross the £250 line not because he gets a rise to £5 a week, but because his wife starts going out to work. The table is a guide to family incomes, not to individual wealth.

Thirdly, one must take account of increased hours of work. Because of overtime rates, ten men working the normal hours of twelve are likely, in fact, to be more costly than two more men at work.

Lastly, one needs to remember that, at the present time, an abnormally large number of people are working in the engineering trades, where wages are unusually high. It remains to be seen whether after the war, when a more normal industrial structure is restored, the average level of wages will be so high.—I am, Sir, etc.,

"MANDRAGON."

[Our correspondent makes five points:—

1. What has happened in wartime will not necessarily last into peacetime. This is true. All that our article said was that the experience in this war has been similar to that of the last war, that last time the effects were "in greater or less degree" permanent, and that events would very probably follow the same course.

2. If the gross profits of companies are aggregated with personal incomes, total property incomes can be shown to have increased in purchasing value—though, even so, less than wage incomes. But it is surely improper to aggregate excess profits with personal incomes, when it has been agreed policy for three years past that they are not to be allowed

to accrue to the benefit of persons. EPT—as is shown by its being levied at 100 per cent—is not so much taxation of certain sorts of personal incomes as a device to prevent one part of the national income-flow from ever accruing to the benefit of persons. (The post-war refund is a concession to the impossibility of achieving perfect equity in definition.)

3. The increase in labour incomes is partly because wage-earners and their wives are working harder. Granted. Nothing in the article was in conflict with this. And it is also true of salaried persons, the total of whose incomes has fallen.

4. The fall in the total of salaries may be due to there being fewer of them. True, it may be—though it would be very difficult to reconcile any such trend with the increase in the number of incomes in the salary ranges. But the article nowhere said or implied that the individual salary-earner had lost in purchasing power. What it said was that "virtually all those with incomes over £500 have lost." Our correspondent can hardly dispute that.

5. In saying that "280,000 persons crossed the £500 line," we should have said "280,000 persons or married couples." This is correct; the word "persons" was inaccurate. But our correspondent is not right in saying that "the table is a guide to family incomes." His word "family" is just as inaccurate as our word "person."

Why should people like our correspondent be so anxious to deny the manifest fact that the war has improved the relative position—and probably the absolute position—of the wage-earners? Are they ashamed of it? *The Economist* is not.—EDITOR.]

AMERICAN SURVEY

Opportunity and Jobs

(From Our Washington Correspondent)

THE word "plan" is getting around these days. For the better part of the 1930s the word had only two uses. It was uttered with millennial fervour by bright young proponents of a planned society; and it was flung back in their teeth by citizens who regarded planners as the slide rule fringe. (There is probably some truth in the allegation that under another name the National Resources Planning Board might have escaped its annual annihilation by Congress.)

The present company that the word is keeping shows as well as any single sign the change of mood between the 1930s and the 1940s. Mr Eric Johnston, President of the Chamber of Commerce of the United States, in his annual report made at the end of April, said:

There was a time, not so long ago, when we uttered the word "capitalism" softly and apologetically, and there are still a few who search in the dictionary for euphemisms and evasions. But I believe capitalism has no need of mealy-mouthed apologies. Despite all of its faults, all of its frailties and all of its failures, it glows with the colours of perfection when compared with the other two systems. Our system of private enterprise has lived through crises—and emerged with new vitality.

(The word that this newly confident capitalism is searching the dictionary to paraphrase is "plan," for the process it signifies is in wide use by capitalists.) Mr Johnston continued:

The new capitalism, as I prefer to call it, is shedding the last traces of its nostalgic memory of unbridled individualism. It acknowledges that the severe economic and social dislocations accompanying war and depression during the last quarter of a century have caused Government to assume responsibilities which necessarily tend to burden and hamper the capitalistic mechanism. Such new functions as are justified in the public interest will require an extra effort by private enterprise. It has a right to insist that so far as possible the Government limit itself to formulating the rules of the game and supervising their enforcement. More than that, it insists that the rules be so devised that they stimulate rather than suppress the immense motive power of individual initiative and ambition.

Most of the institutions which American business is creating to examine what sort of bridles individualism will henceforth need for its direction carry names which have a reassuringly pre-1930 sound: witness the Committee for Economic Development, formed at the end of 1942 to survey

post-war possibilities; Mr Johnston's very speech was entitled: "America Unlimited." But under this protective colouring, new projects are afoot; planning is going ahead.

In proposing new scope for private enterprise in the post-war future, business is showing itself aware of the difference between the general possibility of individual advancement which businessmen have historically meant by "opportunity" and the specific means of attaining security which people of the depression decade had in mind when talking about "jobs." Having witnessed the political attraction of an Administration which placed the provision of security high on its agenda, business is accepting first-hand responsibility for a reasonably full measure of post-war employment. The Committee for Economic Development is forwarding a plant-by-plant survey of possibilities. Under a structure which is regionally devolved, and starting from some test communities (Peoria, Illinois, is one) the Committee proposes to find out what business—and that means specific businesses—thinks it is going to do when war production is over, and how many people it will be in a position to hire to provide the manpower to do it.

Such assumption of overall responsibility contrasts sharply with the very particularised responsibility felt by businessmen at the onset of the depression, responsibility to the stockholders of the firm of their concern. Men who then voted retrenchment as the only course consistent with the protection of the interests with which they dealt were in many cases fully conscious that what they did aggravated the necessity for their doing it; but they did not deduce from this knowledge any necessity for action. The people who were fired took action at the polls.

From then until production of war material, beginning in 1940, revived enthusiasm, the mass of American citizens looked sourly upon the economic process. A decade which longed above all else for security shied from the idea of risk inseparable from capitalist development, and felt a moral discomfort at profits which seemed, more likely than not, to represent someone else's expense.

Work relief, public works, social security were the alternative interests of the time, with trade union organisation following when there was enough economic activity to organise. These interests, however, were never integrated with the country's pre-depression interest in production.

The rift between business and the Administration, with its bilateral bitterness, prevented that. The fact that emergence from the depression, though started by public assumption of responsibility for some measure of security, was completed only by war orders has left a sense of dubiousness, not only about the past, but about the future.

The fact of the war orders, however, has forced a business-and-government relationship in the course of which executives on both sides have discovered that their jobs are not interchangeable, that there are special skills associated with each. The fact of war orders, the spurt in production and most of all the spurt in invention, has also given business the confidence, and the economic base, on which to look ahead with some largeness of view.

Many businessmen are now recognising that if public action to arrest a slump is taken very shortly after the slump begins, the proportion of publicly managed economic activity to the total economic activity of the country will be relatively small; if such action is deferred until the wheels of private activity are practically ceased to go round, Government will be the dominant feature in the situation, and political cries for ham and eggs will be inevitable. In such a mood, business's best means to prevent Government dominance appears to be prevention of the kind of situation in which it is inescapable: prevention through the provision of jobs under private auspices.

In this connection business attitudes toward social security programmes are undergoing revision. The report on "The Domestic Economy" issued as a supplement to the December *Fortune* summarises this trend:

We propose that the Government should underwrite permanent prosperity: that it be established Government policy, whether Republican or Democratic, to maintain reasonably full employment in the US . . .

The first and most important step is for the Government to see to it that private industry, which produces the vast bulk of goods and services and employs the vast bulk of the working population, has every chance to operate at capacity and to invest as much of the nation's savings as it can absorb. Hitherto the Government, in its economic policy, has tended to consider itself an impartial umpire among individual Economic Men. This rôle is obsolete. . . .

The second way to implement a full-production policy is to increase individual security by direct means. These means are chiefly a greatly extended system of unemployment insurance, old-age pensions, and other forms of social security. They include a great deal more Government responsibility for public health, housing, and nutrition, as well as more and better schools. . . .

Fortunately such a social-security programme is also a definite aid to full employment. For it maintains consumer income, and hence effective demand. It sets a certain minimum standard of purchasing power on which industry can count in measuring the overall size of its market.

Under a system in which the fear of insecurity had been removed by such substantial measures as those here listed, an atmosphere favourable to risk and profit-taking in the large part of the economy not concerned with the provision of social services might foreseeably be regained. A society assured of a basic minimum might enthusiastically encourage experiment in the application of the wealth of wartime scientific discoveries of whose unannounced existence every one is aware. (The dream of a new car, looking like a plastic bubble, and with the engine withdrawn from its position

of substituting for a horse and placed in its proper location over the rear axle, has become so fascinating to a nation riding on thin rubber that Mr Sloan of General Motors has just felt moved to prick the bubble by announcement of the probable similarity, in the interest of quick reconversion, between the 1942 models and the models of the first post-war year.)

Acceptance by both business and the people at large of a post-war economy defined as partly an economy of risk, initiative, and invention, spark-plugged by profit, and partly an economy of guaranteed minima, undergirded by public action, might dispel the underconfidence which currently causes many Americans to be troubled about their country's mood. Business's current feeling around for such a formula is reflected in the lead paragraphs of an article on "Post-war Manpower and its Capacity to Produce" in the US Department of Commerce's April *Survey of Current Business*:

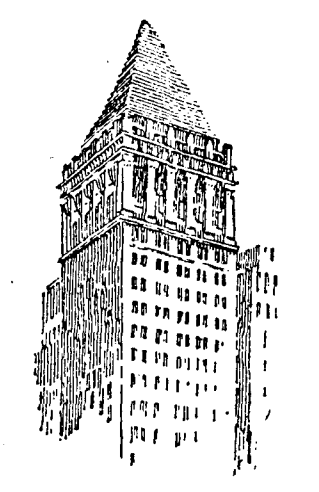
The desired goal for the domestic economy after the war might be described in several different ways. The businessman might well insist, for example, that it should be an economy of opportunity as well as of abundance; that it should provide for security, but in such a way as to strengthen incentives to individual initiative and expand opportunities for business enterprise. Other desirable characteristics might be included.

It is fundamental, however, that none of these things is possible unless productive jobs can be provided for the vast majority of those seeking employment; and, that in providing these jobs, the volume of production could go far above any pre-war level.

American Notes

Week of the Long Knives

The long-awaited Congressional revolt on the home front has begun. In the House, growing disaffection on the part of the Southern Democrats led many of them to join with the Republicans in a series of slashing attacks on Administration Agencies, whose appropriations were up for passage. The Bureau of Economic Warfare scraped through with only 15 votes to spare, but the Office of Price Administration and the Office of War Information were less lucky. The National Resources Planning Board fared worst of all, receiving notice to wind up its affairs. In addition to cutting the ordinary appropriation for the OPA, a rider was attached in the House to the Independent Offices Bill specifically prohibiting the payment of subsidies to keep down the cost of living, a step which will probably block plans already well advanced for "rolling back" butter, meat, and coffee prices. In an even greater display of finality, the NRPB was allotted \$50,000 to liquidate itself—all its records and files to be delivered to the Archives, in order to prevent any transfer of its functions to another agency. Yet another major operation was performed on the Office of War Information when the House, by a vote of 218 to 114, voted to eliminate funds for its entire domestic branch. The motion was put forward by Mr Starnes, of Alabama, who declared "America needs no Goebbels or Gayda in Washington." The vote to cut an already reduced appropriation nearly in half was carried by 160 Republicans, 55 Democrats, and 3 minor party



BANKERS TRUST COMPANY

NEW YORK

Complete banking facilities

London Office:
26 OLD BROAD STREET, E.C.2.

Incorporated with limited liability in the U.S.A.

representatives. The boiling up of hostility against the OWI appears to have been touched off by several incidents. One was Mr. Elmer Davis's injudicious attack on the coverage of Washington news, and even more damaging still was Southern hostility to an OWI release on the negro question. Underlying these surface manifestations, however, is the bitter hatred of the President, the Administration, and what is sneeringly called "New Dealitis." It is, of course, hardly possible to run an American information service without reference to the President of the United States; but this, apparently, is what the critics would like. The nightmare vision of a vast Government agency busily turning out propaganda for a fourth term has a firm grip on some less disciplined imaginations. Mr. Davis has threatened to resign, and indeed it is difficult to see how the foreign branch of OWI could function without the domestic, which acts as a feeder and collector of information. It is possible that the Senate may modify some of this "legislation by hysteria," as the *Herald Tribune* has called it. There has been a substantial rallying of forces to defend both OWI and OPA.

Out Again, In Again

The third coal stoppage in seven weeks is over. The United Mine Workers' policy committee has ordered the miners to return to work until October 31, provided that the Government remains in control of the mines. There is no statement about any agreement reached between Mr. Lewis and Mr. Ickes other than the assurance that minimum wages and conditions already prevailing will continue; but it is significant that Mr. Lewis's statement included a strong hint that the miners now expect the Government to treat them well. Mr. Lewis appears to have attained at least two of his ends. He has succeeded in retaining Government control of the mines, and he has snubbed the War Labour Board with impressive finality. Last week the War Labour Board issued a directive rejecting the union's demand for "portal-to-portal" pay and ordering an extension for two years of the wage provisions of the old contract, with a new clause outlawing strikes for the duration of the war. This was only a majority decision, with the four labour members of the board opposed; but having issued the directive, the Board unanimously requested President Roosevelt to use all his powers to enforce it. While any wage adjustment which may be determined between Mr. Lewis and Mr. Ickes may, of course, be submitted to the Board, it looks as though the Board's evocation of authority had been addressed to thin air. The settlement of the strike will, to some extent, reduce the pressure on the President to allow the anti-strike Bill to become law, although he still has an almost intolerably difficult decision to make. The Bill specifies conditions under which strikes might be permitted—the secret ballot and 30-day cooling-off period. This, actually, is widely regarded as a retreat from the general anti-strike pledge, to which the national leaders were committed, for if local ballots are to be taken, evidently much of their authority will be transferred to less responsible local leaders. According to labour groups, on the other hand, the bill is so drawn that it might re-establish the old doctrine of conspiracy, and impose criminal penalties on quite innocent people who spoke at union meetings.

Ceiling Plus

Mr. Prentiss Brown, the Price Administrator, did some plain speaking last week. He admitted frankly that prices have broken through the ceilings, and that a recent survey showed that food prices on the average were running 5 per cent above the ceilings. This condition, he said, was brought about by gaps in the controls: the failure to absorb surplus purchasing power; the inability to stabilise wages before October of this year; inadequate powers over farm prices; and inadequate use of subsidies to absorb higher costs of production. The pressure on prices forced the Office of Price Administration continually to rewrite its regulations, "with growing complexity and unworkability." This week has seen the closing of most meat packing and slaughtering establishments in Cincinnati, because the packers contend they are forced to sell at prices lower than those they pay. But it is not only the inability to hold down prices which continues to blacken the name of OPA, often quite unfairly. There have been severe shortages and muddles in the distribution of rationed foods. The fact that coupons for meat and fats were interchangeable has made it almost impossible for the trade to estimate the demand for each, with resulting

spoilage and waste. There are local shortages of meat and even potatoes, owing to transport difficulties and man-power shortages. War production centres still appear to be supplied on the basis of their pre-war populations. But although OPA's techniques have been imperfect, its major troubles are due to the sharing of its powers with other Government agencies, principally the Department of Agriculture, and to its inadequate funds. Provision for policing the new "dollars-and-cents" price ceilings appears to be pathetically small. And the political atmosphere is tending, not to increase OPA's powers and funds, but to do the exact opposite. The anti-subsidy drive is gaining ground. There is now a campaign on the part of the farm bloc and the conservative press to deprive OPA entirely of its control over food rationing and prices. There is an obvious case for centralisation of authority; but that the interests of the community—apart from the farmers—would be served by transferring control from OPA seems unlikely. Meanwhile, the mention of new rationing programmes "in the mill" has let loose another buying spree, hastening the day of restrictions and making it certain that the ration—when it is established—will appear niggardly. Every day brings the whole technique of rationing and price control into greater disrepute, and with them the prestige of Government.

Riot in Detroit

This week's race riot in Detroit makes ugly reading, particularly as it follows so quickly on the heels of the disturbances in Los Angeles. Detroit is alive with rumours, and until there is a Federal investigation it will be impossible to apportion the responsibility for the outbreak. According to some stories, the negroes were inflamed by stories of the murder of a negro woman and negro children. Another source finds the origin in a single tussle between a white man and a negro. Whatever the original incident, the results were appalling. At least twenty-five negroes and three whites are dead, hundreds are in hospital, hundreds more are in jail, houses in Paradise Valley, the negro quarter, were fired; there was sniping, looting and at least one scene of open warfare. Order was not restored without an extraordinary proclamation from President Roosevelt calling upon all persons engaged in "unlawful and insurrectionary" proceedings to disperse; the introduction of soldiers; and the imposition of modified martial law. War production has been disorganised by the very natural reluctance of negro workers to leave the protection of their homes. This is not the first indication of the existence of racial tension in Detroit. There were riots last year over the presence of negroes in a Government housing project. But it is alarming to find how quickly the violence usually associated only with race relations in the South has followed the migration of both negro and white workers to northern centres of war production. It is even more disquieting to see how well race rumours withstand transplanting. Among the wilder stories current in Detroit was one to the effect that negro reinforcements were marching on the city from Chicago. This is of a piece with the rumours which have swept the Southern States from time to time, and Federal investigators will have the job of determining whether these were deliberately put about, and, if so, whether by the Ku-Klux-Klan, enemy agents or some of the still existent Fascist-minded groups. It should not be imagined that this was an entirely unprovoked attack. The negro press, particularly in Chicago and Detroit, has often been provocative and unwise in its leadership, particularly in view of the tension in a city with large foreign groups and difficult living conditions like Detroit.

Shorter Notes

Total Lend-Lease aid in May amounted to \$790 millions, compared with \$783 millions in April. Figures for goods actually exported in May are not yet available, but April's exports reached the record figure of \$839 millions, presumably due to accumulation of goods transferred in earlier months for which shipping facilities were not then available. Mr. Stettinius pointed out that the exports to the USSR have now reached \$2,123 millions, 26 per cent of all Lend-Lease exports, despite the fact that she did not begin to receive aid until the latter part of 1941.

THE WORLD OVERSEAS

Canada's Mutual Aid Plan

(From Our Ottawa Correspondent)

May 24th

THE essential meaning of the Mutual Aid plan approved by the Canadian Parliament rests upon a distinction drawn between it and the United Kingdom Financing Act, 1942, to which it serves as successor. The former Act, as Mr. Ilsley stated, was a gift of money to the British Government, from which Canadian goods were bought. The Mutual Aid plan is a contribution of goods, specifically war supplies, in return for which Canada will require whatever reciprocal arrangements are practical. The Canadian Act was modelled on the US Lend-Lease legislation. A declaration of policy, found in the preamble of the Mutual Aid Act, said:

It is essential to the defence and security of Canada and to the cause of world freedom that Canada should make the utmost contribution to the victory of the United Nations; and it is necessary that the products of Canadian war industry be made available not only for use by Canadian forces, but also to other United Nations, in accordance with strategic needs, in such manner as to contribute most effectively to the winning of the war; and it is expedient that the conditions upon which Canadian war supplies are made available to other United Nations should not be such as to burden post-war commerce or lead to the imposition of trade restrictions or otherwise prejudice a just and enduring peace.

The intent of the Canadian plan, therefore, is familiar already within the terms of reciprocity in war commerce based on Lend-Lease. A series of agreements will flow from it, and they may become, as President Roosevelt said of the US Lend-Lease agreements, "key instruments of national policy, the first of our concrete steps in the direction of affirmative post-war reconstruction." But a realistic appraisal of Canadian mutual aid policy does not, at present, lead to any conclusions of this kind. Mr. Ilsley was emphatic on this point when questioned in Parliament. "To the specific question," he said, "whether we are fitting this measure into the Lend-Lease Acts of other countries, I say no." He declared that the legislation contained no power to enter into a trade treaty, as some critics suggested, behind the back of Parliament. The effect of reciprocal agreements entered into by Canada, in furnishing mutual aid to other United Nations, will be limited to the post-war usefulness of any supplies and equipment furnished.

The Mutual Aid plan is a logical development of earlier arrangements, notably the gift to Britain of \$1,000 million in 1942. The extent to which Canadian goods received distribution, under that arrangement, to other nations within the sterling area, received considerable attention in debate. Speaking of Canadian goods provided, through Britain, to other British Dominions, India, the British colonial empire, certain Middle Eastern areas, and Russia, Mr. Ilsley made two points: (1) that Canada now proposed to deal directly with these countries; and (2) that Canada felt that the Canadian source of this assistance should be clear to the countries receiving it.

A difficulty in presenting a precise accounting to the Canadian Parliament of the billion dollar gift of 1942 arose over the fact that it represented only part of British imports of goods and services during the period. The gift period extended from April 1 to December 30, 1942, and in that time sterling area payments in Canada amounted to \$1,440 million, of which, therefore, Canada supplied 71 per cent of the funds required. In response to demands, Mr. Ilsley made an arbitrary allocation of this amount, as follows:

(Millions of Dollars)	
A.—PORTION ATTRIBUTED ARBITRARILY TO CANADIAN GIFT	
I.—Munitions of War	
Aircraft and parts	31
Armoured vehicles and transport	343
Chemicals and explosives	32
Guns and small arms	50
Shells and ammunition	179
Other, including naval and other vessels, instruments, etc.	54
	689
II.—Foodstuffs and Raw Materials	
Wheat	87
Bacon and pork products	75
Lumber	28
Cheese	20
Base metals (in part)	101
	311
	1,000
(Of this total, supplies valued at \$61 million were known to have been transferred to Russia, including tanks and armoured vehicles, \$49 million; shells and ammunition, \$3 million; and base metals, \$9 million; and mechanical transport valued at \$71 million to Australia, New Zealand and other parts of the sterling area.)	
B.—PORTION ATTRIBUTED ARBITRARILY TO OTHER SOURCES OF FINANCING	
I.—Commodity Exports	
(a) To United Kingdom:—	
Foodstuffs	60
Base metals	19
Wood products	29
Other	32
	140
(b) Other sterling area	79
	219
II.—Services, etc.	
Freight	70
War services (incl. air training)	91
Interest and dividends	9
Capital for munitions	28
Other capital	11
Miscellaneous	12
	221
	440

STAPLES' RECONSTRUCTION DIGESTS

EDUCATION

- No. 1. (Embodying 17 Reports) *New available*
 No. 2. (Embodying the Luxmoore Report and 17 others) *Ready in Three Weeks*
 No. 3. (Embodying the Fleming and Norwood Reports and the Education Bill) *Ready within Three Weeks of the Publication of the Bill*

Price 2/- net each

JOHN BALE & STAPLES, LTD.
 83/91 Great Titchfield Street LONDON, W.1

This is the best accounting so far given in Canada of the billion dollar gift of 1942. It covered a period of nine months, now seen as a transition phase in which an abnormal deficit of Canadian dollars was incurred by the sterling area. It was a phase in which armed forces in the sterling area were being equipped with Canadian arms. The organisation of 35 RCAF squadrons in Britain, primarily by drawing Canadian airmen from the RAF and placing them on the Canadian pay-roll, is one factor that will reduce future deficits. Canadian expenditures on other Canadian forces in the sterling area will undoubtedly increase steadily. But where any such deficit arises in future it will be taken care of under the Mutual Aid plan.

Freed Tunisia

[BY A CORRESPONDENT]

THE Allied authorities in Tunisia and the French administration there are confronted with problems made familiar by experience in the other North African possessions of France. Economically, Tunisia, like Algeria, was dependent on normal trade relations with metropolitan France. The following table shows the main items of Tunisia's agricultural and mineral output before the war:

	(In metric tons)	Production	Exports
Wheat	480,000		68,400
Barley	200,000		34,000
Oats	28,500		11,800
Olive oil.....	50,000		18,800
Wine (hectolitres) ..	1,500,000		960,000
Iron ore	950,000		950,000
Rock phosphates ...	1,800,000		1,900,000

Thus, the main items in the export trade were phosphates, iron ore, wine, wheat and olive oil. The chief imports were engines and boilers, cotton goods, raw and refined sugar, motor-cars and cycles, and so on. Like the other French possessions, Tunisia, too, suffered under the one-way traffic imposed by Vichy. Its stocks of grain and wine were exported in increased quantities, whereas the usual imports of textiles, fuel and sugar fell off almost completely. The shortages of foodstuffs have been made even more acute by the prolonged fighting of recent months. The devastation due to hostilities has not yet been fully measured; but a semi-official statement says that the railway network has not been excessively damaged; only two large rail constructions have been put out of order. It has also been claimed at Algiers that the industrial establishments of the country will soon be able to resume work. It is estimated that only about 20 per cent of the industrial capacity has been destroyed through hostilities. Harbour installations have suffered the main damage.

Tunisia's economy has to cope with a labour shortage. The mobilisation orders, which were issued immediately after the liberation of Tunisia from the Axis, affect almost the whole French male population of military age. It is, however, hoped that the bottleneck will be overcome to some extent by using the labour of Axis prisoners of war on the spot. The French Army alone has taken 40,000 German prisoners. It has been stated that they will be employed in labour camps under conditions identical with those imposed on the French prisoners of war in German camps. Their first job is to repair the damage done by the retreating Axis forces, to build roads and so on. The French farmers, however, are apparently anxious to get the prisoners transferred to work on the land to enable the farms to make good the arrears in this year's work.

Speedy relief has been necessary to help the population to recover from the recent shortages. Allied supplies of oil have been made available to farmers. Meat and milk have been distributed. In Tunis the daily bread ration has been increased from 250 to 500 grammes. It is, however, only natural that the food position will remain difficult for some time to come, possibly until the new harvest and the vegetable resources of the Cap Bon area alleviate the shortages. The inflation of prices is another sore point. It is hoped that the extension of the North African currency regulations, together with the organisation and control of supplies, will help to restore conditions to normal.

In the political field, Tunisia has many problems in common with the rest of French North Africa, but it has its own peculiar features as well. The *Révolution Nationale* left a burdensome legacy. The *Légion des Combattants* and the *Service d'Ordre Légionnaire* were organised under the armistice regime into a fairly wide network. The SOL colla-

borated with the Axis and severely persecuted all those suspected of Gaullist and pro-Allied sympathies. The *Légion des Combattants* attempted to harness a section of the Arab nationalists to the policy of collaboration, and 12,000 Moslems were enlisted in its ranks. At present, the ban on the *Légion* issued by General Giraud has been applied to its Tunisian branches, and, immediately on the entry of Allied forces into Tunis and Bizerta, the Frenchmen who had previously been persecuted for their "disloyalty" spontaneously took revenge on the leaders of the SOL and their agents. A court martial under General Giraud's authority passed death sentences on five leading French collaborationists, who had, however, escaped to France, together with the former Resident-General, Admiral Esteva.

Tunisia has for long been reputed to be the centre of the strongest Arab nationalist movement in the French Empire. The nationalist camp has been split into two factions, the old Destour—the conservative wing—and the new Destour in which leftist, radical and fascist tendencies were strangely intermingled. Some sections of the Arab nationalists allowed themselves to be used as tools of the Axis. One of the Destour leaders, Habeeb Rukebah, who had been imprisoned in Marseilles, was released by the Germans about the time of the Allied landing in North Africa. Together with a group of his supporters, he went from Marseilles to Rome, where he was ostentatiously welcomed. From Rome he was reported to have returned to Tunisia. Little has been heard about the activities of his group since then. But it is quite clear that the administration in Tunisia is now confronted with the delicate task of sifting the various Arab elements, among whom there are many who have not been involved with the Axis. The deposition of the old Bey of Tunisia and the enthronement of the new Bey, Sidi Al Amin Pasha, has been a move in that direction. The deposed Bey was generally regarded as the real leader of the "old" wing of the Destour. The new Bey has kept aloof from politics, and has not been entangled in Axis activities.

The Italian population is another complicated problem. The number of Italians is only slightly less than that of the French, amounting to about 95,000. Many Italians in Tunisia supported Fascism, but large sections of the local Italian population are definitely anti-Fascist. Some of them left their country for political reasons, and most were poor peasants from Sicily and Sardinia who migrated in search of employment. Judged by the statements made so far, the administration has taken a cautious line with regard to the Italian colony, avoiding any wholesale reprisals. The Italians have been given an assurance that they will not be deported, although the Italians themselves, in their day-dreams about the conquest of Tunisia, threatened all French nationals with deportation. Instead, the Italians have been warned that the next six months will be a period of test and trial. During that time the authorities will watch their behaviour very closely, and all Italians who do not indulge in hostile political or other activities will be left unmolested.

The reorganisation of the French administration is only just beginning. General Giraud has nominated General Maste as the Resident-General in place of Admiral Esteva. The general legislative measures taken in the rest of French North Africa are gradually coming into force in Tunisia. In official documents *l'Etat Français* has been replaced by *La République*. The elected Assemblies are to be revived, and the ban on "secret organisations" has been lifted.

Blockaded China

[BY A CORRESPONDENT]

BLOCKADED by the Japanese from the north, east, south and south-west, Free China's supply problems have become exceedingly difficult. The only open land route to the outside world, the north-west highway to Soviet Russia, leads to a country which is itself involved in a life and death struggle. Moreover, this highway, like the air services from India, has but a limited carrying capacity, and even under more favourable conditions could supply only a small fraction of China's requirements of essential military and civilian goods. The fullest possible use of its own resources has thus become more vital than ever for Free China. Recently, a national production conference, convened by China's National General Mobilisation Council, was held at Chungking to work out the details of a programme for accelerating and extending the country's war production. The conference was attended by 270 dele-

gates, representing the Central and Provincial Governments as well as agriculture, mining and industry. The opening session was addressed by Generalissimo Chiang Kai-shek and the Minister of Finance, Dr H. H. Kung, who both stressed the urgency of the task before the conference. No fewer than 400 proposals have been submitted by the delegates for discussion, and many of them resulted in tangible recommendations. This conference was preceded last month by China's first industrial reconstruction and planning conference, which met at Chungking for ten days and worked out a five-year plan for the readjustment of China's industrial production.

Meanwhile, the Chinese Government has not awaited the outcome of the conferences to secure a speed-up in war production. As was pointed out in *The Economist* of October 17, 1942 (page 483), the industry of Free China can be divided into three groups—the heavy industries developed and controlled through the National Resources Commission; the industrial co-operatives; and the private factories. The industries under the control of the National Resources Commission, which in the main comprise the mines, the metal refining industries, including iron and steel, and the electrical power plants, have for some years been primarily directed by war needs. Their output has been consistently expanded and improved, and is conducted on modern lines. In the co-operatives and private factories, mobilisation for war has so far been less advanced, although most of them are supplying a large part of their output to the armies and for essential civilian needs. Great variations in the size of these factories and in their equipment have rendered full mobilisation difficult; but the growing supply difficulties after the closing of the Burma Road have recently forced the Government to adapt every industrial plant and workshop in the country to war and essential civilian production.

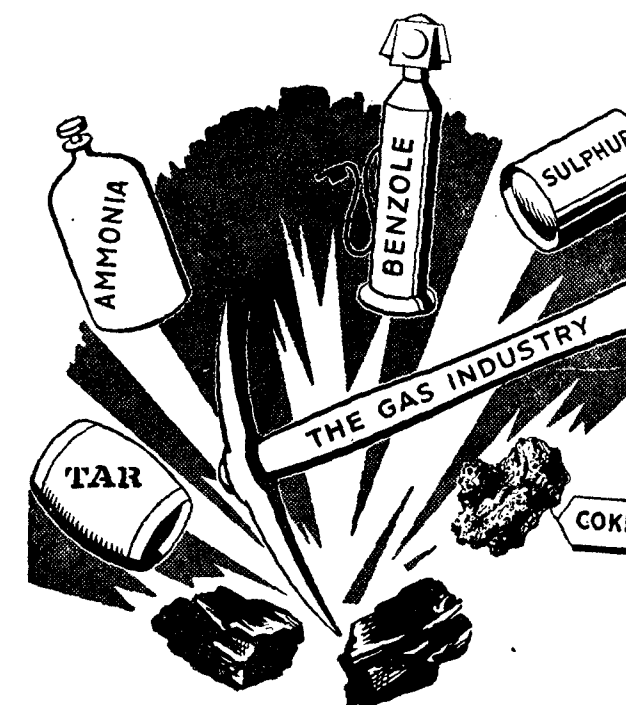
This task is being carried out by the Industry and Mining Adjustment Commission of the Ministry of Economic Affairs. The encouragement of private enterprise continues to be a basic principle of China's industrial policy, but the war has necessarily led to increased Government interference with private management. This is felt in four ways. First, small industrial units are, wherever possible, amalgamated into larger units. Secondly, production is more strictly controlled to assure that materials, machines and labour are not wasted on the manufacture of unessential products. Thirdly, an attempt is made to improve the standard of the work and the equipment of the factories, and to adjust the location of the factories to the supply of materials, labour and transport.

In the industrial co-operative movement, the progress so far achieved in these directions appears to be greater than in the private factories, as the Central Co-operative has for years done useful work in industrial and administrative research as well as in the training of labour. For the private factories, a central organisation did not exist, but, as a direct result of last month's reconstruction and planning conference, a Chinese Industrial Federation was recently formed to extend private planning and research in industry.

As a result of the work of the National Resources Commission in improving the quantity and quality of raw materials, a great part of the requirements of the factories is being met. Only supplies of high-grade steel and liquid fuels are very difficult. Supplies of machinery are still a big problem, although the National Resources Commission and some co-operative and private works are to-day producing a surprisingly large variety of machines and machine tools. The most serious handicap in China's war production, however, is the shortage of skilled labour. To-day, the number of fully trained technicians and engineers in Free China is fewer than 15,000, while semi-skilled workers, of whom only a small percentage could act as foremen, number fewer than 200,000. The Government and the industrial co-operatives are devoting much energy to the training of labour, but this process is necessarily difficult and slow. In order to assure the maximum employment of the labour force, therefore, the Central Government recently issued an essential work order, under which all workers employed in factories and mines, whether public or private, must register with their respective authorities. Workers are not allowed to leave their place of employment without the permission of the authorities, while employers cannot dismiss workers unless they violate the Government's employment regulations.

Though this new order is likely to reduce the labour turnover in China's industries and the unnecessary waste of man hours, it cannot increase the supply of skilled labour, which is essential if a fuller use of China's vast natural resources is to be made.

Splitting the mighty atom



It is recognised now that coal is a means to an end—or rather to many ends. Not merely something to burn for its heat, but a source of numerous valuable substances that will be the basis of Britain's post-war prosperity.

The carbonising industries point the way to this modern treatment of coal. The process of gas-making splits up the coal into many different parts and extracts every ounce of value from it. Every 100 tons of coal used in the gas works produce 7,500 therms of gas, 50 tons of coke, 1,000 gallons of tar, 250 gallons of benzole, 2,500 lbs. of sulphate of ammonia and 300 lbs. of toluene. And the Gas Industry carbonises over 18 million tons of coal annually.

These valuable by-products of gas-making in turn yield over 2,000 chemical substances of tremendous value. Among them are explosives; drugs such as M & B 693, novocaine, acriflavine and aspirin; sulphuric acid for electric batteries; food flavourings; baking powder and saccharine; camouflage paints; agricultural fertilisers; aviation spirit; and the chemicals from which plastics are made for use in a hundred and one ways from the ubiquitous ashtray to the essential fittings of our fighter aeroplanes.

The Gas Industry in war, as in peace, plays an important part in the national economy.



BRITISH COMMERCIAL GAS ASSOCIATION · LONDON · S.W.1

THE BUSINESS WORLD

Coal Production

DURING the nine months that have passed since coal was last debated in Parliament, output has steadily declined and is now well below the national target figure of 4,161,800 tons a week. In Wednesday's debate, many reasons were advanced for the present state of affairs, all of which contained some truth, but not the whole truth. The situation is one of peculiar complexity in an industry about which the Samuel Commission wrote in 1925 that "the only generalisation that is safe, is that no generalisation is possible." No single factor can be held responsible, and no uniform solution can be applied to the industry as a whole.

In its White Paper last June, the Government stated that output would be increased by (a) enlarging the manpower and (b) raising the output per man employed. Various steps have been taken to deal with the decline in manpower, which is the root of the trouble. The foolish policy pursued after Dunkirk of allowing large numbers of men to leave the industry has been reversed, and in the last two years about 58,000 men have returned from other industries and the Forces; last year's wastage of 25,000 has been reduced to 19,600 and, if optants are included, to 17,000.

But in the words of the Select Committee on National Expenditure (8th report, May, 1943): "The country faces the certainty that by the end of this year the number of men engaged in the industry will be smaller than at the present time." Moreover, the quality of the labour has not been maintained and the proportion of productive to surface workers has remained too low. Considerable attention has been paid to the question of attracting young workers to mining, but the plain truth is that colliers are reluctant to send their sons to the pits, to what they are coming to regard as a 20th-century form of slavery. The eminently constructive proposals of the Forster Committee on the training and advancement of juveniles bear on the long-term, rather than on the immediate, problem though their latest recommendation for a national minimum wage rate for juveniles might have a directly beneficial effect on recruitment. The net result is a steadily ageing labour force. Out of a total of 708,000 miners, over a fifth are over 50. This fact has undoubtedly contributed towards the present dilemma, though it is hardly enough by itself to account for the decline in output during the past year.

The second part of the Government's scheme was to raise output by increasing the efficiency of the industry. Productivity has slightly risen; output per man shift is 1.045 tons as against 1.036 tons last year. The Government's policy included the concentration of available men and machinery on the more productive pits and the extension of mechanisation. But little has been heard about the results of concentration, regarded by the Government a year ago as "the most direct means of securing an early increase" in output. Such a programme obviously takes time to put into operation and goes against the natural inclinations of both owners and miners in this highly individualistic and conservative industry; but it should have been bearing fruit by now. Transfers from one area to another raise acute housing and transport difficulties, but concentration within a district or pit presents fewer obstacles. Progress in concentration largely depends upon the geographical and social conditions in a particular area, but also upon the energy and forcefulness of the Regional Controller. The Minister announced that 50 schemes have been put into operation and over 40 pits concentrated internally, but it is impossible to regard this rate of progress as satisfactory.

There has also been regrettably little evidence of the extension of mechanisation. Deliveries appear to have been slow and the long-awaited American power loaders are not expected to be generally in operation before the autumn. In Britain as a whole, coal-getting is far less mechanised than in other coal-producing countries (55 per cent as compared with about 98 per cent in the Ruhr and Belgium and 80

per cent in the United States), though there are wide variations between individual coal fields. In North Staffordshire the proportion of coal mechanically cut and conveyed was 92 per cent and 91 per cent respectively in 1938, as against 26 per cent and 45 per cent in South Wales. While it is true that some pits do not lend themselves to mechanical cutting and conveying there is clearly room for increased mechanisation in the backward districts.

The Select Committee reached the conclusion that a reduction in voluntary absenteeism was the most fruitful line of approach. The rate of voluntary absenteeism is high at week-ends and after holidays, when it may amount to 30 or 40 per cent, and if all miners worked their full time on Mondays production might be appreciably increased. Major Lloyd George has repeatedly claimed that absenteeism is no higher in coal mining than in other industries, but comparisons are difficult, owing to the absence of comparable records. In the debate he stated that out of a rate of absenteeism of 11 per cent, only 44 was avoidable, but its elimination would still yield another 4,000,000 tons a year. The worst offenders in the mines are among the young men in the 18-25 age group, which includes many coal-getters, and they are also the worst in the matter of indiscipline. This minority is in danger of bringing the whole of the mining labour force into disrepute, and speedier and more direct measures to deal with offenders are obviously necessary. In some areas, arrangements are being made (after agreement with the union) for the Regional Investigation Officer, with an assessor from each side, to impose a fine of £1 on the spot, the money to be refunded if the offender makes good. It is too early to judge the results of this procedure, but it seems fair.

Last June, the pit production committees were relieved of all responsibility for dealing with absenteeism and instructed to concentrate on production matters proper. It is not easy to estimate the positive effects of the committees, as they are now constituted. Where they function smoothly and co-operation is good, they have undoubtedly been beneficial, and Major Lloyd George stressed the relationship between good output and good committees. In good committees, output figures, the supplies and manpower positions are freely and frankly discussed week by week, and many have started production bulletins and notice boards; the men's suggestions for improving production are welcomed, and arrangements made for regular meetings between different groups of workers, the committee, and the colliery officials. But in many committees there is a lack of contact between the men's representatives and the productive workers, and the former, if they do their job properly, tend to be regarded as "bosses' men," while less far-seeing managements resent the intrusion of the miners into their province. The adoption of a pit bonus scheme, in place of the present district scheme, would probably facilitate the work of the committees and provide greater incentive for production. There are many specific grievances among the men, which the committee may or may not discuss, the most prevalent complaint being lack of food. Miners are entitled to extra cheese, and some can supplement their rations at the colliery canteen—full meals service will soon cover 61 per cent of the collieries. Unfortunately, only about a third of the men use the canteens, partly due to conservatism, partly to domestic and transport difficulties, and, in some places, to the absence of a pithead bath, since the miners do not want to go straight to a meal when they come off duty. The validity of the miners' case for adequate nourishment will not be disputed, and there is a strong case for extending and popularising canteens and for increasing the degree of differential rationing. Other grievances, which are more or less common to all industrial workers—such as income-tax, workmen's compensation, clothing rations, fire-watching and general fatigue—seem to be more pronounced among miners.

It is difficult to secure the necessary conditions for co-operation, which is essential not only for the working of pit

committees but for the improvement of production generally. The history of the industry during the past 25 years has left an indelible impression. Miners feel that they are being asked for "blood, toil, tears and sweat" today, in their difficult and dangerous occupation, whereas yesterday they were the "forgotten men" of industry. The establishment of a national minimum wage and national wages and conciliation machinery is perhaps the greatest advance yet achieved in the history of the industry and the most hopeful for the future. On the management side, there is criticism that the Essential Work Order has relaxed authority and discipline, and many managements resent the imposition of wartime control. Both managements and miners are uncertain and worried about the future outlook for the industry.

Not very far in the background lies the great issue of nationalisation. In a context, not of the immediate needs of wartime, but of the larger future, the case for some drastic and thorough reorganisation of the industry, under the initiative of the state and probably with public ownership, is overwhelming. It is 24 years since Lord Sankey recommended that "the principle of state ownership of the coal mines be accepted," and there is every indication that this view would now command the support of a large majority of the country. The owners were given their opportunity after 1930 to improve efficiency through voluntary amalgamation, but the results were most inadequate. As a post-war policy, some form of socialisation ought certainly to be insisted upon.

The more urgent question is whether immediate nationalisation would help or hinder the expansion of output in the next few months. The miners' case is that nationalisation would have an immediate psychological effect on their

willingness to work—a contention that can be neither proved nor disproved, but will leave most observers somewhat sceptical. Reorganisation to increase efficiency would be fully possible in a nationalised industry; but it would take time. The Government's case a year ago was that the disturbance would reduce output and that there were better ways of securing an increase. The disproof by events of the second half of this contention naturally casts doubts on the truth of the first half. The present system is neither fish nor flesh, but merely a good red herring. It is operational control without financial control, responsibility without ownership, negative control without positive initiative. It is a compromise and, like all compromises, depends upon the willingness of all parties to work it. Even the very limited exercise of their wartime powers by the Government in taking over one colliery and appointing a controller in another evoked a great deal of protest. The Government, in order not to endanger national unity or to precipitate a crisis, will continue to compromise, although dual control cannot be justified from the standpoint of efficiency. Within the framework of the compromise and the White Paper, there are measures that can be taken—the pursuit of efficiency at all levels, irrespective of sectional interests; the investigation and remedy of the miners' legitimate grievances; speedier action against absentees; the strengthening of production committees; the transfer of the bonus system from a district to a pit basis. More and more, the onus of proof lies on those who believe that these measures will achieve the object. With every month that passes, the question becomes more fully one of asking why the permanent, thoroughgoing reform of the industry, which will certainly be necessary after the war, should not be undertaken now.

Finance and Banking

Special Assistance

The approach of the turn of June has been unmistakably apparent in the money market. The banks have been rather diffident buyers of bills, and as the discount market obtained a bumper 42 per cent allotment at last week's tender for Treasury bills, the task of taking up the new bills presented some difficulty in the early part of the week. As a result, special assistance had to be sought from the official brokers to whom the market sold fair lines of July bills. One of the factors making for the banks' unwillingness to buy bills has been the size of their Treasury deposit receipt payments, namely, £70 million against nominal maturities of £65 million and effective maturities at least £5,000,000 below this figure. Next week the market will again be taking up its quota of a £90 million offer of Treasury bills. In the normal course it would concentrate its applications on bills payable in July while taking the bulk of the week's maturities in June. This method of shifting the burden of the half-yearly window-dressing to the shoulders of the Treasury cannot be operated with the old deliberation and completeness, for the discount market is now expected to spread its applications for bills with some approach to evenness over the whole week. The fact that the market may be paying for some bills in the final days of June and that the banks will probably be abstaining from bill purchases may again lead to some special assistance to the market over the turn of the half-year. The concerted window-dressing which will be taking place at the close of the month will lead to an exceptionally large turnover of funds, as bankers' deposits are shown by the latest Bank returns to have fallen by £8,758,000 over the week to the moderate total of £148,910,000. A reduction of £9,618,000 in Government securities is the principal causal factor. On the evidence of the Bank return the turn of the half-year promises to be difficult.

Bank of England Issue Profits

In reply to a question in Parliament, the Chancellor of the Exchequer this week gave precise details of the agreement between the Bank of England and the Treasury governing the allocation of the profits of the Issue Department. The income received on the securities held in the Issue Department, including adjustments of interest or

discount, are first credited to the note issue income account kept at the Bank of England. The following items are then debited to this account: (a) the current expenses of the Issue Department; (b) in the case of stocks standing above their redemption value, a proportionate writing down on each dividend day of this excess book value; (c) the value of old notes presented after having been written off; (d) the composition paid by the Bank of England under the Bank Charter Act of 1844 and the Bankers' Composition Act of 1856 to other bankers in consideration of the discontinuance of the issue of notes by these bankers. The only item which needs explanation in the above list is (c). Under the existing legislation the Issue Department is entitled to write off bank notes of £5 and over if they have been in circulation for 40 years without returning to the Bank and after 20 years for notes of £1 and 10s. The amount of notes thus written off and credited yearly to the note issue income account is small and probably does not exceed £15,000. If any notes thus written off reappear after their long period of circulation, they are duly honoured and the amount must be debited to the account. A working balance is maintained in the account and the remainder is paid monthly to the Exchange Equalisation Account.

BUY

3%

SAVINGS BONDS 1960-70

POST OFFICE • TRUSTEE SAVINGS BANK ISSUE

• Purchasable in multiples of £5. Interest paid half-yearly

• Income Tax not deducted at source. May be sold quickly through your Savings Bank.

Issued by the National Savings Committee, London

More Capital for the Discount Market

The process of consolidation in the London discount market is gathering momentum. News was given this week of an important increase in the capital of Smith St. Aubyn and Company, which raises the resources of the firm from £415,000 to £820,000. Of this new capital, £300,000 takes the form of 5 per cent cumulative redeemable preference shares, which are being placed privately with Hambros Bank and Morgan Grenfell and Company. The balance of £105,000 is being put up by the present proprietors in subscribing for 15,000 additional ordinary shares of £1. This raises the ordinary capital from £30,000 to £45,000 and the premium goes to create a capital reserve of £90,000. The terms on which the additional ordinary capital is being subscribed provide an interesting indication of the current value of the equity in this firm. The main interest in the transaction is, however, provided by the appearance of two acceptance banks and issuing houses as buyers of the newly-created preference shares. It does not follow that the two banks are putting the whole of these shares in their own investment portfolios, but it is probable that a certain permanent interest in the firm of Smith St. Aubyn will be maintained by them. This is clearly a case in which the operation represents no more than the investment by these two banks of temporarily redundant resources in what appears to them to be a safe 5 per cent investment. The shares subscribed by them are preference shares and the operation involves neither immediate nor potential change in the control of the business.

*

There is an element of paradox in this transaction, since the search for domestic investments by merchant banks, of which this particular operation is one of many recent illustrations, arises to some extent from the dearth of acceptance business, which in its turn must react adversely on the volume of discountable paper. Any contraction in the volume of commercial paper has, however, been swamped by the increase in Government paper—bills and bonds—handled by the discount market. It is to keep pace with that expansion and to provide the required safety margin for the larger proportionate holding of bonds by the market, that this strengthening of the capital structure both of the market as a whole and of its individual units is needed. There is widespread satisfaction in the City that this process should, to an increasing extent, be taking the form of an influx of fresh capital into existing firms. The trend in preceding years had been towards integration by amalgamation, which had more than halved the number of firms in the market over the past decade. If this tendency had been maintained, the discount market would have reached the desired degree of consolidation, but at the price of ceasing to be a true market and of losing the personal element which has always been part of its strength.

Investment

Markets Still Idle

Another week during which there has been talk of a growing firmness of tone, with occasional bursts of enquiry from the investor, leaves the principal indices of stock market values unchanged and the number of bargains received scarcely above the lowest for recent months. The record is now just over a year old and it is possible to give a straight comparison for the first time since the new system was adopted. The market is certainly more impressed by the dearth of trade than it was a year ago, but the total of bargains received is some 44 per cent. higher than it was then. There is a partial explanation of this in the fact that bargains in gilt-edged are slightly less numerous this year than last, while some of the more speculative items, such as South African mines, account for a substantial part of the increase in total. It is generally accepted that the average size of the bargain in the Funds is much larger than in any other section of the market. The revival in business in this section during the past week has been comparatively modest, but it has raised some prices a full $\frac{1}{4}$ point and removed some maladjustments. On the assumption, still generally adopted, that securities carrying interest at 3 per cent or less will run for their full life, while others will be converted at the first opportunity, it is now once more impossible to obtain

French Currency Plan

The series of bilateral currency talks between representatives of the US Treasury and of the various Allied nations which have been proceeding in Washington for the past two months culminated in a round-table conference last week, at which a more general, though still wholly inconclusive, discussion of the problem of post-war exchanges took place. Most of the discussions have been focused on the American and British currency plans, and reports from Washington suggest that, while most of the delegates from the smaller nations express the greatest admiration for the Keynes approach to the problem, they cannot altogether free themselves from the argument that it is on the Morgenthau side that their bread will be buttered. These two plans, however, have not occupied the whole of the stage. The leading French representatives, M. André Istel and M. Hervé Alphand, produced a scheme on their own personal initiative which differs from the British and American plans in its technical approach and in the matter of timing rather than in fundamental objectives. The French plan is less ambitious than the Keynes and Morgenthau schemes. It suggests that to make the scheme all-embracing from the start is to invite unnecessary difficulty. It would begin with an exchange agreement between the great nations based on the lines of the Reynaud-Simon agreement of the first 10 months of war, and would let the smaller nations attach themselves gradually to the nucleus of exchange stability thus created. It also places more specific stress on the fundamental problems of international trade and investment, and suggests that closer attention to these basic questions will pay greater dividends in terms of prospects of exchange stability than any blue-print for clearing unions, however ingenious or meticulous. The Reynaud-Simon agreement was that by which France and Great Britain undertook to maintain exchange stability and to accumulate whatever amounts of the other's currency might be required by the course of their mutual payments during the war, leaving the settlement of the balance to be made after the end of hostilities. It was an effective wartime arrangement; but it should be noted that it provided no machinery whatsoever for maintaining the initial equilibrium between the French and British cost-and-price structures expressed in the fixed exchange rate of 176 $\frac{1}{2}$ francs to the £. The agreement can hardly serve as a peacetime model for maintaining exchange stability. Its probable behaviour under peace conditions was indicated by the experience of the Tripartite agreement. This provided in theory for an agreed machinery by which exchange adjustments were to be made after full consultation with the other parties. In fact, all major changes in exchange rates during the Tripartite regime were of a unilateral character and took few people more by surprise than the Treasury officials and central bankers of the other participating countries.

as much as 1 $\frac{1}{2}$ per cent, with profit or loss on redemption, after paying tax without taking a stock with over twenty years to run. The best yield obtainable is some £1 11s. 3d. on Funding 2 $\frac{1}{2}$ per cent. 1956-61. The next highest is £1 10s. 5d. on the old series of the present "tap" issue of 3 per cent Savings bonds 1960-70. There are always some people who are prepared to sacrifice true yield to a higher current income and the explanation of the relatively high yield to redemption on the former is that its flat yield is the lowest in the list of long dated stocks. It is interesting to note that 3 $\frac{1}{2}$ per cent. War loan gives a return to redemption in 1961 of only £1 8s. 10d. As this is now regarded as definitely repayable at that date, there are only some £700 millions of "irredeemables," namely Old Consols and 2 $\frac{1}{2}$ per cent. Locals.

* * *

Cable and Wireless Investments

The report of Cable and Wireless (Holding) for last year appears without the usual comments of Lord Pender, presumably because of the paper rationing. Income from the three old cable companies remains unchanged, while there is a fall of some £6,500 in receipts from outside investments more than offset by a rise of £9,580 in dividends from Marconi's Wireless Telegraph. This is a result of

purchases of an additional 12,637 £1 preference shares and some £124,200 of ordinary capital at average prices of about 73s. 9d. and 63s. odd, respectively. The preference carry a 7 per cent cumulative dividend with participation and the payment on the ordinary has in recent years been 7 per cent. The consolidated balance sheet of the group shows modest falls in fixed assets and trade investments, presumably due to depreciation. Investments in securities quoted in London and New York have a balance sheet valuation £1,914,347 higher than a year before, at £18 millions odd, and the market value of these at the end of last year showed a depreciation, against book valuation, of only 5 per cent, compared with 11 per cent in the previous year and 19 per cent at the end of 1940. These are the counterpart of the pre-amalgamation holdings of the old cable companies, and it is to be noted that they are not regarded as liquid assets. Of the latter, the deposit with the Inland Revenue shows a rise of £2,850,000 and stocks one of over £1,020,000. Despite a rise of over £4,000,000 in the total figure to £14,434,469, it falls short of current liabilities by £1,323,043 against a surplus of £1,897,436, owing to the fact that EPT liability is included among creditors for the first time. Taking in investments at market, not balance sheet, value, the surplus of liquid assets over current liabilities is still down, from £16,310,616 to £15,835,791. It is extremely difficult to say what sums may be required for post-war reconstruction, but it is reasonably certain that some funds which have been locked up for a substantial period will be re-invested in the business.

* * *

Barrow Haematite Assets

The accounts of Barrow Haematite Steel for 1942 give some of the information which should have been available before the offer of the Ministry of Supply was accepted. Fixed assets had increased from £897,216 to £965,219, of which £304,910 were sold to the Ministry of Supply, leaving, after depreciation of £30,000, £630,308. The remainder of the purchase price was for liquid assets, and a *pro forma* statement shows the results of the transaction. The effect of the transaction is greatly to

	Dec. 31, 1941	Dec. 31, 1942	
		Actual	<i>Pro forma</i>
Share capital.....	707,250	707,250	707,250
Loan capital.....	242,415	235,592	Nil
Bank loans, and other current liabilities*	783,622	687,312	281,728
General reserve.....	300,000	300,000	300,000
Profit and loss balance.....	28,424	143,491	143,491
Total.....	2,061,711	2,073,645	1,432,469
Fixed assets and investments	962,019	696,008	695,049
Stock-in-trade.....	414,610	67,745	67,745
Debtors.....	666,892	639,206	638,989
Cash.....	18,190	30,684	30,684
Due by Ministry of Supply...	Nil	640,000	Nil

* Including tax reserve in all years. Creditors and tax reserve only in *pro forma*.

strengthen the liquid position of the concern. Not only are net liquid assets up from £316,070 to £438,009, but gross liquid assets are 260 per cent of current liabilities against 140 per cent at the end of 1941. A further piece of information, largely responsible for the sharp rise in the quotation for the £1 shares, is the statement that works and plant, standing in the *pro forma* balance sheet at £630,308, are valued for war damage insurance purposes at £1,413,023. The 1942 profit was £160,700 against only £60,315; both are subject to outstanding claims, but the more recent figure has the assistance of £45,883 credited from 1941. It is thus far from clear what the true earnings of either period were and the sale makes it even more difficult to assess future profits. The market was clearly very well satisfied with the showing, for the price was raised 2s. 3d. to 16s. 6d., at which the yield on the 5 per cent dividend is £6 1s. 3d. per cent. The repayment of the debentures and bank loan will benefit the equity considerably. The yield on the shares is appreciably above the average of *The Actuaries' Investment Index* for the iron and steel group, but it is clear that the prospects of the concern are considered to have been improved by the sale.

San Paulo Disappointment

By reason of possessing a short main line, carrying a very heavy concentration of traffic, the San Paulo (Brazilian) Railway has always occupied a privileged position. While the fortunes of the Argentine concerns were going from bad to worse, San Paulo only once failed to earn 2 per cent tax free on its ordinary capital during the six years 1936-41, while the average payment for that period was 2 $\frac{1}{2}$ per cent. Last year, however, the combined effects of rising fuel costs, growing taxation and higher wages brought the company to a position in which only half the preference dividend was covered by current earnings. The final preference payment and 2 per cent tax free on the ordinary are met by drafts of £60,000 on the reserve and of some £22,000 on the carry forward. Nor is this all, for it has been thought desirable to transfer £225,000 from reserve to provide against the contingency that certain tax cases, now subject to appeal, will go against the company. A number of recent decisions have already rendered the company liable to taxes from which it was previously exempt. After the drafts mentioned, the general reserve and carry forward still exceed £1,357,000. The report shows a negligible increase in traffic on the main line section, with a 10 point rise in the expense ratio to 84.81 per cent, while the Bragantina section secured a considerable increase in traffic with a correspondingly heavy rise in the loss ratio. There is nothing in the report to indicate that these developments are of a transitory character, although the company has since the report secured some relief by permission to increase charges and can, in common with other lines in the less developed countries, presumably, rely on some fall in fuel prices after the war. The ordinary stock fell several points on the report to 60, but has since recovered to 65, at which it yields some £6 7s. gross.

Company Notes

Doncaster Amalgamated Collieries

Net profits of Doncaster Amalgamated Collieries for the year to March 31st last show a small rise from £421,445 to £463,712. There is an increase in depreciation from £179,939 to £186,546, but war damage requires some £13,000 less, so that there is a rise in the equity surplus from £172,307 to £221,077, representing 8.5 against 6.7 per cent. Ordinary stock receives 1 per cent more, making 5 per cent, the highest dividend since the 1937 merger. Of the surplus, the transfer to general reserve is raised from £50,000 to £70,000, and the remainder goes to increase the carry-forward from £121,588 to £143,182. There is nothing in the accounts that sheds light on the improvement in net income. The balance sheet shows modest reductions in debtors and creditors, so that there is a possibility that turnover declined. There is, however, a rise in net loans to subsidiaries from £493,323 to £572,524. Most probably, the higher income is due to reduction in costs. It is not likely that output was increased. The drop in stocks from £776,295 to £643,471, while partly due to inability to replace certain items—in particular steel—is, according to the chairman, Mr William Humble, mainly due to the sale of wooden pit props of sizes not now used by the concern. Mr Humble also announces the registration of Doncaster Coke and By-Products, a company controlled jointly with Staveley Coal and Iron. Capital additions last year amounted to only £141,838 against £208,412. The post-war prospects of the group appear favourable, but at the ex dividend price of 14s. 6d., the £1 ordinary shares yield £6 17s. 8d.

* * *

Griffiths-Hughes Investments

The full accounts of the holding company, Griffiths Hughes Proprietaries, show receipts of £76,672 for the year to March 31st last, exactly the same as for the previous year. Thus, the 6 per cent ordinary payment is again under-earned by 0.1 per cent and the rise in the carry-forward from £6,131 to £7,986 is due solely to the inclusion of £2,259 against £2,002 income tax recovered. The operating company, E. Griffiths Hughes, actually shows a decline in income from £232,414 to £222,915. Liability for income tax is reduced from £132,000 to £122,500, and the 44 per cent tax-free dividend which is paid to the holding company is covered by tax-free earnings of 57.1 against 57.2 per cent. The carry-forward is again substantially increased from £25,623 to £48,273. In each of the last two years, the income of the subsidiary company has been higher than in any

year since 1936-37. The most substantial grounds for expecting a further rise in profits is the news conveyed by the chairman, Mr Harry Marland, that further interests were acquired last year and are now being developed. The acquisition is reflected in the expansion of net loans to subsidiaries in the balance sheet of the operating company from £13,196 to £40,184. The acquisition seems to mark the entry of the group into a rather different field, and new, first-class research laboratories have been set up entirely independent of the existing establishments. Stocks are also higher and there is a small rise in net liquid assets from £374,043 to £375,798. It is probable that the limits of the group's ultimate expansion have still not been reached. The chairman states that the difficulty of securing shipping for exports has in part been met by the production of overseas factories. The £1 shares of Griffiths Hughes Proprietaries, at 19s. 4½d. ex dividend, yield £6.3s. 10d. per cent, a level which implies considerable market caution in assessing post-war prospects.

Selection Trust Accounts

The accounts of *Selection Trust*, the important finance company with substantial interests in Rhodesian copper and in the *American Metal Company*, show a rise in income from £249,869 to £268,271 for the year to March 31 last. The majority of charges against profits are reduced, but there is a rise in tax liability from £44,500 to £70,300. Thus, equity earnings are rather lower at £151,788 against £153,488, representing 12.9 against 13.3 per cent. Despite this, the directors announce an increased distribution of 8½ per cent less tax at 8s. 3½d. against 7½ per cent less tax at 8s. 6d. The surplus goes as to £28,479 to write off debenture conversion expenses, as to £20,000, against £40,000, to exploration reserve, and the remainder to raise the carry forward from £136,165 to £136,456. The outlook for the coming year is good, since the current accounts reflect the reduced dividends distributed in 1940-41 by *Rhodesian Selection Trust* for which the absence of any *Mufulira* payment was mainly responsible. The resumption of dividends will be reflected in the accounts of the current period. The rise in income of *Selection Trust* in 1942-43 is stated to be due mainly to an increased payment from *Consolidated African Selection Trust*. There is no change in the distribution of *The American Metal Company*. Further grounds for expecting a higher surplus in the current period is that last year £419,220 of 5½ per cent. debentures were replaced by £400,000 of 3½ per cent. stock. There is a gross saving in interest of some £9,000. The balance sheet shows a very strong liquid position and net liquid assets are rather higher at £574,703 against £572,298. The market value of quoted investments, which is unfortunately not given, is said to be much in excess of the balance sheet valuation of £2,698,567, including

£424,673 of Government securities. The *Selection Trust* 10s. stock at 20s. yields £4 7s. 6d. per cent less tax at 8s. 3½d.

Further Kaffir Payments

Dividends announced by two more gold mining groups at the past four half-years are analysed in the following table. The latest payments announced by the *Anglo American* group are comparable with payments made a year ago and not with those distributed in December, 1942, since this group makes a habit of paying higher final than interim dividends. This June, there are in fact five reductions against the payments of a year ago. Two of the young mines, East Dagga and New Era Consolidated, are paying the same dividends as in June, 1942, while Western Reefs is paying 1s. 3d. against 9d. a year ago—the same as in

DIVIDENDS PER SHARE				
Years ending December 31	Dec., 1941	June, 1942	Dec., 1942	June, 1943
<i>Anglo American</i> :—				
Brakpan (5/-)	1/3	-10½	1/-	-7½
Daggafontein (5/-)	1/6	1/3	1/4	1/2½
E. Daggafontein (10/-)	1/3	1/3	1/5½	1/3
New Era Consol. (5/-)	-4½	-4½	-4½	-4½
S. African Land (3/6)	3/6	3/-	3/1½	2/6
Springs (5/-)	1/-	-9	-9	-6
West Springs (1/-)	1/-	-9	-9	-6
Western Reefs (5/-)	-7/3	-9	1/3	1/3
<i>Consolidated Gold Fields</i> :—				
Empire Vlei (2/-)	-5	-4	-4	-4
Rietfontein Cons. (5/-)	-9	-6	-6	-6
Robinson Deep "B" (7/6)	1/10½	1/6	1/6	1/3
Simmer & Jack (2/6)	-5	Nil	-2	Nil
Sub Nigel (10/-)	6/3	5/3	5/-	4/6
Venterspost (10/-)	-9	-7½	-6	-5
Vlakfontein (10/-)	-	Nil	Nil	Nil
Vogelstruik (10/-)	-10½	-9	-10½	-8

* Years ending June 30. † Crushing operations began January, 1942.

December, 1942. All the indications are that development in this mine is proceeding sufficiently fast to offset the effects of wartime shortages. There is nothing unexpected about the trend of the *Consolidated Gold Fields* payments. The steady reduction in dividends paid by the veteran Sub Nigel is continued with a further cut of 6d., as is the downward trend of the Venterspost payments. Simmer and Jack, as in June, 1942, pays nil, against 2d. last December, and no dividend has yet been declared by Vlakfontein, which came into production in January, 1942. For the rest, payments are steadier than might have been expected. There is every prospect that the Rand will have to face even more acute shortages of labour and supplies in the coming half-year, and this must be expected to prejudice the December payments.

Industry and Trade

Engineers in Conference

The Amalgamated Engineering Union is now the second largest trade union in the country, with a membership of 839,000—an increase of 211,000 during the past year—and it is also the richest, with reserves, amounting to £5,000,000. Its increase in strength and influence, together with the fact that all its members are engaged on vital war work, lent more than usual significance to the 1943 meeting of the National Committee at Southport this week. Mr Jack Tanner has shown signs of a long-sighted and realistic outlook, beyond that of the run of trade union leaders. The greater part of his presidential address was devoted to the war, and the need for increased production. But he also outlined some of the problems that will face the engineering industry in post-war Britain. Revolutionary changes in technique have occurred during the war; complicated production processes have been broken down into simpler component operations; many new methods and materials have been introduced. All this may have profound effects on the technique and personnel of the engineering industry and on craft traditions. Mr Tanner also showed realism in advising the committee to reject the demand for general wage increases all round, and to accept, instead, a resolution formulating a comprehensive long-term policy, which would lay the

foundations for future wage standards. The main points of this programme would be: (1) the establishment of national minimum wage rates for all classes of workers—the amount was unspecified, and it would presumably be left to the union to negotiate the most advantageous terms possible; (2) equal pay for equal work, and a minimum rate for adult women not less than that of the male labourer—this demand was made at the recent conference of AEU women, who were represented at the National Committee for the first time in history; (3) the complete consolidation of national bonuses in the basic rate—the unions are concerned lest the advances secured during the war might be whittled away in the light of post-war conditions; (4) the application of the recent 6s. award to all time workers—the fact that only a small proportion of time workers have benefited by the full increase has caused great dissatisfaction, and led in some areas to strike action; (5) the restoration of the pre-1931 conditions in regard to overtime and Sunday work—a claim which had been rejected by the National Arbitration Tribunal. The presentation of the programme would be worked out in consultation with the other engineering unions in the National Engineering Joint Trades Movement. This action will thus be a further step in the direction of consolidation which was started when the 40 unions presented

their collective wage claim last September. Consolidation and amalgamation of the engineering unions has been widely discussed, but, so far, no clear picture of the structure and organisation of "one big engineering union" has emerged.

Agricultural Statistics

The Ministry of Agriculture* last week gave some figures, under various headings, showing the effect of the war on agricultural output in the United Kingdom. For security reasons, these figures give only the general outline; more detailed statistics will have to await the end of the war. The overall increase in output of the United Kingdom (excluding that derived from imported feeding stuffs) is 70 per cent measured in terms of calories. The first three sets of more detailed figures show the percentage change in 1942 compared with the pre-war position. "Pre-war" is intentionally left undefined.

	Percentage Change compared with Pre-war 1942
<i>Acreage</i> :—	
Total cultivated area (including grassland, but not rough grazing)	-2.0
Arable	+33.7
of which tillage	+52.8

The fall in the total cultivated area (which includes grassland, the percentage of which transferred to arable uses is not given) is due to the loss of land to military and industrial use; much land has been reclaimed to offset this loss. All arable land, bare fallow and temporary leys are included under "arable." The tillage area is the arable area minus temporary leys.

	Per Cent.
<i>Crop Acreage</i> :—	
All cereals	+65.7
Wheat	+35.6
Oats	+72.0
Potatoes	+80.4
Vegetables	+55.1

Cereals include wheat, oats, barley, rye and mixed corn.

	Per Cent.
<i>Livestock</i> :—	
Cattle	+4.6
Sheep	-17.8
Pigs	-51.9
Poultry	-24.2

The increase in the total cattle population is due to the rise in the number of dairy cattle; other cattle are fewer in number. The pig and poultry figures take account of commercial keeping only. If domestic poultry were included, the decrease would be less than 20 per cent.

	Pre-war (million tons)	1942-3
<i>Feeding Stuffs</i> :—		
Imports	8.5	1.3

The pre-war tonnage includes imports of actual feeding stuffs and feeding stuffs derived from imports. The 1942-3 tonnage consisted entirely of feeding stuffs derived from imports; no feeding stuffs as such were imported.

	1939	1942
<i>Farm Machinery</i> :—		
No. of tractors	55,000	150,000
tractor implements	200,000	1,175,000

These figures show clearly the important part played by mechanisation in increased production.

	Percentage of Total Sugar Consumption	
<i>Sugar</i> :—	Pre-war	1942
From home-grown beet.....	23	35

The larger percentage of sugar consumption derived from home grown beet is due more to reduced consumption than to increased home production.

	Pre-war	1942
<i>Allotments</i> :—		
Number	930,000	1,675,000
<i>Private Gardens</i> :—		
Estimate no. cultivated for vegetables	3,000,000	5,000,000

The Ministry's "Dig for Victory" campaign has been successful; little further increase in allotment holding can be expected; the emphasis now is on better planning and higher yields. The figures for private gardens are rough estimates.

<i>1943 Cropping</i> :—	
Grassland ploughed, 1942-3	1,250,000 acres
Expected increase in :—	
Tillage over 1942	750,000
Increase in wheat area over 1942	25%

Grassland excludes temporary leys, and is defined as land which has been under grass for at least seven years. Increases are expected in barley and potato acreages.

	June, 1939	May, 1943
<i>Labour</i> :—		
Men, regular	545,100	...
casual	71,700	...
Women, regular	54,400	70-80,000
casual	38,300	...
Women's Land Army	...	65,400

The June, 1939, figures come from the *Ministry of Labour Gazette*, and are for England, Scotland and Wales. Some male farm workers are now in the armed forces. The number of prisoners working on the land is not available. In addition to the WLA, casual workers are more numerous.

A Record of Expansion

The picture of British wartime agriculture unfolded by these statistics is one of remarkable expansion. Before the war Great Britain imported nearly two-thirds of its food requirements; now British farmers supply nearly two-thirds of the war-time diet, if at the expense of variety. How has this measure of expansion been made possible? The total cultivated acreage is slightly lower than before the war. But within this area there has been a big change. The ploughing up of grassland has added a third to the acreage under crops; this has meant an overall reduction in livestock, but the number of dairy cattle has actually been increased. But this is not all. The arable acreage has not only been increased, but is being more intensively cultivated than before, without a corresponding growth in the labour force of agriculture. Exact figures of employment on the land are not available. There has been a "slight fall in the number of regular male workers," but this has been offset by the recruitment of the Women's Land Army, now numbering over 65,000, and by the employment of prisoners of war. The total labour force in agriculture is probably not much greater than before the war. The expansion in output, in fact, appears to have been achieved largely by mechanisation; the number of tractors has been increased nearly threefold, and that of tractor implements nearly eightfold. Agriculture is now probably more highly mechanised in Great Britain than in any other country—certainly than in any other European country. The farming industry deserves high praise for the vital part it has played in economising scarce shipping tonnage, and nobody would bear a grudge to farmers for having increased their aggregate net income or to the workers for having secured a wage more in line with earnings in industry. Nevertheless, it would be foolish not to count the cost. This has been substantial; last December the Ministry of Agriculture's index of farm prices (including subsidies) was 80 per cent above the average for 1938, an increase double that for all consumers' goods and services. Undoubtedly the price is not too high in wartime, for what is being bought is security against starvation. But the criteria will be different when peace returns.

Design of Dwellings

The Society of Women Housing Managers has produced an interesting memorandum on "The Design of Dwellings" for a sub-committee of the Central Housing Advisory Committee of the Ministry of Health. It is based on a questionnaire answered by 2,077 tenants on estates managed by members of the Society, whose wide experience has also been incorporated into the report. The

(Continued on page 835)

TO RECOVER FREEDOM AFTER THE WAR

from unnecessary official controls there is only one way—to eliminate all restrictions at the ports. The growth of internal bureaucracy, began with restrictions on imports which in turn brought quotas, price controls, marketing boards, all the paraphernalia of "planned industry" and the officials required for administration. The only way to kill the planners is by a return to Free Trade under which our Country prospered.

Send for the Manifesto of The Free Trade Legion and a selection of its literature 1/- Post Free. 38, Bedford Street, Strand, London, W.C.2. [ADVT.]

COMPANY MEETINGS

TUNNEL PORTLAND CEMENT
COMPANY, LIMITED

DEMANDS ALL MET DESPITE DIFFICULTIES

POST-WAR PROBLEMS

MR N. M. JENSEN'S ADDRESS

The thirty-second annual general meeting of the Tunnel Portland Cement Co., Limited, will be held on the 29th instant at the registered office, 2, Seamore Place, Park Lane, London, W.

The following is the speech which the chairman and managing director, Mr N. M. Jensen, proposes to make on that occasion:—

Ladies and gentlemen, unfortunately the paper restrictions have not made it possible this year to include a copy of my speech to the shareholders with the report and accounts, as has been the custom for several years. Before dealing with the details of the accounts I would like to mention that we have made some modifications in the form of the balance-sheet in accordance with more recent accountancy practice. These modifications incidentally show more clearly the strong position of your company, and I hope they meet with your approval.

The only items in the balance-sheet which call for some comment from me are under stocks and sundry debtors. Stocks have increased by £105,544, which is due to a larger quantity of clinker, cement, coal and other stores and also to the increased cost of these. There is an increase of £40,625 in the amounts due from subsidiary companies and there is an advance to an associated company of £50,000. This last item refers to money lent to Ribblesdale Cement, Limited, and it will interest you to know that that company has paid off its outstanding debenture stock and, therefore, your company has been released from the guarantee given in connection therewith.

TRADING PROFIT

The profit on trading is reduced by £39,828, but, as pointed out, last year's profit included about £30,000 which related to previous years. The profit is arrived at after the necessary adjustments under the pooling arrangement regulating the war-time conditions of the industry. Interest and dividends on investments show a reduction of £50,496, with which I will deal a little later. The provision for taxation is this year only £170,000, as compared with £260,000 last year. As mentioned in the directors' report, your company has built up a tax reserve which now enables us to base our provision for taxation on current year's profits.

In addition to our normal depreciation, the directors have felt it desirable to add £25,000 to depreciation reserve so as to be able to meet expenditure which may become necessary owing to the additional wear and tear involved in production under war conditions. After payment of dividend on the two classes of Preference shares and the interim dividend on the "A" ordinary shares and the "B" ordinary stock, there remained, together with the sum brought forward, a balance of £248,515.

In view of the delay in completing the accounts, your directors decided to pay a second interim dividend of 12½ per cent., less tax, on the "A" ordinary shares and "B" ordinary stock, making 20 per cent., less tax, for the year. At the same time, it was intimated that no further dividend would be recommended. The second interim dividend absorbed £57,239, and left a carry-forward of £191,276.

INCOME FROM INVESTMENTS

Our total income from investments at £91,669 is nearly 5 per cent. on the amount at which our investments stand

in our books, but as it is a substantial reduction on last year's investment income, I should like to refer specifically to the same dividend as for the previous year.

Among our subsidiary companies, the Helwan Portland Cement Company, Near East Cement Products, and Tunnel Asbestos Cement Company, Limited, have paid the same dividend as for the previous year, but Tunnel Cement (Pitstone), Limited, and Clyde Portland Cement Company, Limited, show a reduction in profits and, consequently, a lower dividend, which is largely due to adjustments under the trade pooling arrangement.

Among other investments, Ribblesdale Cement, Limited, also show a lower earning and a reduction in dividend for the same reason. Alpha Cement, Limited, paid no dividend for the year ended December 31, 1941, owing chiefly to the low profit standard of that company and the need for building up adequate staff reserves. This means a reduction of our investment income of about £25,000 from this source alone. The position is somewhat better for 1942, but the improvement will only be reflected in our 1943 accounts.

Cement, Limited, of Dublin, in which your company holds a substantial capital, has for the past two years paid 8 per cent. dividend. Our American investment, the National Portland Cement Company, of Philadelphia, only made a small profit, after depreciation, during 1942 and was, therefore, unable to recommend the payment of any dividend.

IMPROVED HOME TRADE

There has again been a slight increase in the home trade, but a decrease in export. I am happy to say that the cement industry has been in a position to meet all the demands the Government has made upon it in spite of increasing difficulties due to the demand of the Services upon the available labour. At no time has there been any shortage of cement, and your company has assisted in overcoming the difficulties due to inclement weather by the increased production of our cold weather cement.

PROSPECTS FOR THE FUTURE

With regard to future prospects of the cement industry, I would like to say that I cannot see how we can hope to get through the war period without diminution in the demand for cement, but let us hope that such period will be of short duration only. We all know that there is bound to be an increased demand for cement when the nation's efforts can once more be turned towards peaceful aims, but I personally think it will be at least two years after the cessation of hostilities before the demand for cement will begin to exceed the present productive capacity of the industry.

How much the demand is then likely to increase further will depend largely on the amount of labour that it is possible to absorb in the building industry and in civil engineering work. The cement industry, I may mention, is fully determined that, whatever happens, there shall be no shortage of cement, and, with that in mind, plans are now being considered for extending existing works and building new ones. Your company fully intends to take its proper share in this work.

TRIBUTE TO EMPLOYEES

Before I conclude, I should like to pay a well-deserved tribute to all the members

of our staff and our workpeople who have carried on their work during very trying circumstances. I should also like to send our good wishes to those of our employees who are serving in His Majesty's Forces and wish them a speedy and safe return. Our sympathy goes out to the relatives of those who unfortunately will not come back.

EAGLE STAR INSURANCE
COMPANY, LIMITEDSIR EDWARD MOUNTAIN'S
STATEMENT

The ordinary general meeting of the Eagle Star Insurance Company, Limited, will be held in London on the 29th instant.

The following is an extract from the statement by the chairman and managing director, Sir Edward M. Mountain, Bt., circulated with the report and accounts:—

Life Department: We issued during 1942 1,895 policies for £12,928,886 gross. Rather more than one-half of this business was in connection with staff pensions. Our mortality experience continued to be favourable and our expense ratio was reduced to 10.03 per cent. The premium income and the total funds again show increases, whilst the net rate of interest earned is £3 10s. 11d. per cent., approximately the same as last year.

Fire Department: Fire losses in the United Kingdom for 1942 have been heavy, whilst the losses in America were lighter. Fire business in other parts of the world had been favourable.

The accident and general departments had a very good year.

Investments: A valuation of the Stock Exchange securities at market prices ruling on December 31st showed a considerable margin on the values in the balance-sheet in all the various life funds. In the shareholders' funds there has also been a substantial improvement in the value of Stock Exchange securities and, taking the values at market prices at the close of the year, there is over £1,200,000 available for future contingencies.

The net interest income has increased in spite of a higher effective rate of tax and the dividend is covered by interest earnings alone. The profits transferred from the fire, accident, motor and marine departments total £268,000, and, after making full provision for taxation and other expenses, the amount carried forward in profit and loss account is increased by £78,348 to £632,602.

HENDERSON'S TRANSVAAL
ESTATES, LIMITEDMR W. L. CASTLEDEN'S
STATEMENT

The thirty-first ordinary general meeting of Henderson's Transvaal Estates, Limited, was held on the 23rd instant in London. Mr W. L. Castleden (chairman and managing director) presiding.

The chairman said: In the balance sheet now before you changes calling for attention are an increase in investments in Government securities amounting to £29,938 and in other securities £600, cash being reduced by £3,067. Sundry debtors are mainly dividends outstanding and practically all since recovered.

Revenue this year shows a decline which is accounted for largely by a reduction in profit on share transactions.

We are glad to be able to report that on our annual valuation of investments the market value of our quoted securities marks an improvement and is slightly in excess of book cost. At the same time our valuation of the unquoted holdings is substantially above the figure at which they stand in our books.

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 £40,184.

The report and accounts were unanimously adopted.

J. LYONS AND COMPANY, LIMITED

SATISFACTORY RESULTS OF DIFFICULT YEAR

MR HARRY SALMON'S STATEMENT

The forty-ninth ordinary general meeting of J. Lyons and Company, Limited, was held, on the 23rd instant, at the Trocadero Restaurant, London, W.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED MARCH 31, 1943

The directors report that the balance of the trading account for the year ended March 31, 1943, after providing reserve for contingencies, is £905,305, which, together with the balance of £355,882 brought forward from last year, makes a total of £1,261,187 available for distribution. The sum of £490,353 has been paid or provided for dividends on preference and preferred ordinary stock to March 31, 1943, and the sum of £92,814 has been paid for interim dividends on ordinary, "A" ordinary and proportional profit stock and "B" proportional profit shares.

The directors propose to deal with the balance by paying a final dividend of 3s. per £1 unit of ordinary and "A" ordinary stock, absorbing £249,941, and a final dividend of 7.2d. per £1 unit or share respectively on the proportional profit stock and "B" proportional profit shares, absorbing £28,500. The balance to be carried forward to next account is £399,579.

The dividends received from subsidiary companies have been included in the company's trading account. In the aggregate the results of the subsidiary companies' trading show a profit. Losses of subsidiary companies so far as they concern this company have been dealt with in this company's accounts.

During the year Mr W. H. Gaunt was appointed an employee director.

Messrs S. I. Salmon and A. H. Salmon, ordinary directors, and Messrs H. H. G. Bennett and L. H. Lampitt, employee directors, retire and, being eligible, offer themselves for re-election.

Messrs Turquand, Youngs, McAuliffe and Company, the auditors, retire and are eligible for re-election.

(Signed) HARRY SALMON,
M. SALMON,
Managing Directors.

CADBY HALL, LONDON, W. 14.
June 9, 1943.

CHAIRMAN'S STATEMENT

The following statement of the chairman had been circulated with the report and accounts, and was taken as read:—

The report and accounts which accompany these remarks are those of the forty-ninth year of the company's trading.

There are few figures which call for comment. The increased figure for trade and other creditors, etc., is due to the fact that last year such Reserve Certificates as we had were deducted from the tax provisions, whereas this year they are shown on the assets side as a separate figure.

Amongst the assets, the reductions in land, buildings, plant, etc., and in stock-in-trade are mainly brought about by war conditions, as also is the increase in Government securities and in cash. The very substantial reduction in stock and the accumulation of depreciation and maintenance reserves which we are unable to expend either in replacements or in development have caused us to accumulate funds.

As is mentioned in the report, Mr W. H. Gaunt was appointed an employee director during the year. Mr Gaunt has been with the company for some 24 years in charge of our transport and distribution service, and we are sure stockholders will share the pleasure we feel in now having him as a colleague on the board.

FORESTAL LAND, TIMBER
AND RAILWAYS COMPANY,
LIMITED

IMPROVED RESULTS

The thirty-seventh ordinary general meeting of the Forestal Land, Timber and Railways Company, Limited, was held on the 24th instant in London.

Mr Louis H. Kiek, the vice-chairman, said that it was a source of satisfaction to the directors, as it would be to stockholders, that the results of their operations and those of their subsidiary and associated companies for the year ended December 31, 1942, again showed an improvement on the figures of the preceding year. Income from trading and investments and dividends distributed by their subsidiary companies amounted to £661,424, compared with £643,175 for 1941, and the net profit after deduction of the parent company's administration expenses, etc., to £614,376 as against £593,683. To that had to be added £52,968 realised on the sale of an investment.

That result, achieved during a period in which the difficulties and complications inseparable from war conditions had certainly not diminished, reflected the greatest possible credit on all concerned at home and in the countries where their subsidiary and associated companies operated. They recommended a final dividend of 3 per cent., less tax, and a bonus of 3 per cent., less tax, making a total distribution for the year of 9 per cent., less tax.

SOUND FINANCIAL POSITION

Pride of place in the contribution to their income belonged again to the Argentine Forestal Company, their investment in which figured in the balance-sheet at £4,991,299. The satisfactory dividends which the Argentine Company was now able to declare derived in no small measure from the prudent financial policy which it had consistently followed. Subject to the vagaries of exchange and to general conditions in that great and progressive country, that investment stood in their books at what they regarded as a very conservative figure indeed.

The only changes of importance in the parent company's balance-sheet, compared with the previous year's figures, arose from the repayment by the Argentine Company of £200,000 of that company's 4½ per cent. debentures, reducing the amount outstanding and owned by the parent company to £800,000, and a reduction of some £69,000 of a similar debt owing to them by one of their associated companies. Their investments in British Government loans, including Tax Reserve Certificates, had now passed the million pound mark.

The parent company's balance-sheet disclosed a satisfactory financial position and the consolidated balance-sheet would satisfy them that the situation of the subsidiaries added very materially to the strength of the entire structure. At the end of their financial year—after making full allowance for depreciation of Argentine currency—there was a surplus of close on £2,000,000 on the figure at which the group assets stood in the parent company's books. Incidentally, the statement showed that the Group's currently realisable assets alone now more than covered the whole of the parent company's preference as well as ordinary capital.

THE OUTLOOK

With regard to their Quebracho timber reserves, they might reasonably assume that the present scale of annual production could be maintained for many years to come and, at the rate of depreciation which they had found it prudent to apply, their forest lands would be written down to a very moderate figure. Their three million acres of land would therefore continue to represent a substantial and ultimately saleable asset capable of being usefully developed in the interest of the country and the company alike.

The report and accounts were unanimously adopted.

Every year many hundreds of Companies publish Reports of their Annual General Meetings in *The Economist*, thereby reaching thousands of investors in the quiet of their own homes.

In time of war the value of this practice is greatly enhanced because *The Economist* provides valuable information which is not otherwise available to investors, who therefore read it more carefully than ever.

Full particulars of the charges for inserting these reports may be obtained on application to The Reporting Manager, *The Economist*, Brettenham House, Lancaster Place, W.C.2.

BRITISH ELECTRIC TRACTION COMPANY, LIMITED

VALUE OF PRIVATE ENTERPRISE

The forty-seventh ordinary general meeting of the British Electric Traction Company, Limited, was held on the 18th instant in London.

Mr Richard J. Howley, C.B.E. (the chairman) said that for many years past they had been able to show increases in their gross revenue, but this year they had to record a slight decrease. The revenue amounted to £760,293, compared with £767,588 for the preceding year. The reduction was due in the main to smaller distributions by two of their subsidiary companies necessitated by the incidence of taxation. Apart from taxation, their expenses amounted to £59,868, an increase of £4,902. Taxation required £51,553 compared with £105,750 in the preceding year and, after providing for debenture stock interest, their profit was £569,393, an increase of £42,000. The directors recommended the payment of the same dividends as last year.

Of their many interests the most important was their large investment in companies providing road passenger transport services in the provinces. The B.E.T. group of companies owned some 8,500 omnibuses, which operated approximately 243 million miles during 1942 and carried some 1,400 million passengers. Their operating companies had established a reputation for the excellent public services they provided. That he attributed to enterprise in providing for the public needs, economy in operation, and civility and attention to their passengers. All that had been achieved with capital provided by this company and other shareholders; in other words, the capital had been found at no cost to the taxpayer or ratepayer.

The report and accounts were unanimously adopted.

VENEZUELAN OIL CONCESSIONS, LIMITED

LAW OF HYDROCARBONS

The twenty-seventh ordinary general meeting of the Venezuelan Oil Concessions, Limited, was held, on the 18th instant, in London, Sir Andrew Agnew, C.B.E. (the chairman), presiding.

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

The profit for the year 1942 is £1,256,668. There have been discussions for a considerable period between the holders of oil concessions in Venezuela and the Venezuelan Government on the subject of a new Venezuelan Law of Hydrocarbons. These discussions originated from the Government's desire to secure an increased revenue from the oil industry and to place the entire industry on one and the same basis. The outcome was a new law, which was passed by Congress on March 13th last with effect as from that day.

The Board has considered it prudent, in the interests of shareholders, to apply for conversion of its original concession to new concessions to be granted under the new Law of Hydrocarbons. Virtually all other oil companies having concessions in Venezuela are taking similar action and will in future be operating under identical terms.

While the company's burdens have been substantially increased, we have obtained security of tenure for a term considerably exceeding the unexpired period of the original Aranguren Concession, which was due to terminate in 1957. In addition, President Medina gave an assurance to shareholders of oil companies operating in Venezuela that the security of their capital will be more than ever guaranteed under the relationship between the companies

and the Venezuelan Government established by the legislation which has now been promulgated.

It was clearly desirable in the company's interest that we should reduce the area of our holdings before conversion to the new terms. Accordingly, areas aggregating approximately 131,300 hectares have been surrendered, reducing the company's concessions in the Bolivar and Maracaibo districts to a total of 412,761 hectares.

Another new feature affecting our operations is the introduction of income tax in Venezuela, with effect as from January 1, 1943. The rate of tax in our case will be approaching 12 per cent. on profits, but many points affecting the exact application of the tax remain to be clarified.

The report was adopted.

BRITISH TIMKEN, LIMITED

E.P.T. AND TERMINAL LOSSES

Mr John Pascoe, B.A., deputy chairman, addressed the shareholders at the twenty-third annual general meeting of British Timken, Limited, on the 17th instant, at the company's registered offices in Birmingham, the chairman, Mr Michael Dewar, O.B.E., J.P., M.A., having only just returned to this country. Mr Pascoe said:

To-day we have the very great pleasure of welcoming back Mr Michael Dewar on the completion of his mission in the United States of America.

The profit for the year 1942, before taxation, amounted to £117,096, an increase of £8,172 over the previous year, which, however, is insignificant compared with the increase in turnover. Provision for taxation is £3,000 higher at £63,000.

Your company's earnings do not reach its excess profits standard, and I express a hope that when the Chancellor of the Exchequer comes to ease the burden of E.P.T. to assist manufacturers in meeting terminal losses, he may extend any concessions so as to cover the case of a company such as yours, which operating on a scale far exceeding anything approached in pre-war days, nevertheless finds its E.P.T. standard quite out of reach.

The balance of current assets over current liabilities and provisions of £170,000 is approximately the same as last year, the item of fixed assets and subsidiary companies showing an increase over last year of approximately £23,000.

We look back on almost four years during which the whole resources of your company, both human and material, have been extended to the utmost. In so far as the problems which may lie ahead can be resolved by the ability, energy and loyalty of your staff and workpeople, we face them with confidence.

PROGRESS OF FISCHER BEARINGS COMPANY, LIMITED

The experience of your subsidiary company, Fischer Bearings Company, Limited, during the year has been in essence similar to our own, and, under Mr Moritz's able direction, the company continues its expanding contribution to the needs of industry.

I will ask you to pass a vote of cordial thanks and commendation to the managers, staff and workpeople of your company and Fischer Bearings Company, Limited. Shareholders will be gratified that one of the British Timken, Limited, staff, Mrs. Cox, has been awarded the British Empire Medal for services to industry. Mr G. W. Smith, of the Fischer Bearings Company, Limited, staff, has also been awarded the British Empire Medal for showing great pluck in carrying on production work when injured.

The honour thus conferred upon them, and indirectly upon your company and its subsidiaries, has been duly acknowledged to them by its directors.

This resolution was carried and the report and accounts were adopted.

KONONGO GOLD MINES, LIMITED

The ninth ordinary general meeting of Konongo Gold Mines, Ltd., was held on the 23rd instant, in London, Mr Robert Annan, M.Inst.M.M. (the chairman), presiding.

The following is an extract from the statement by the chairman which was circulated with the report and accounts for the year ended September 30, 1942:

A slight decrease in tonnage milled was more than offset by the higher grade of ore treated; gold production at 53,513 fine ozs. being 2,260 ozs. higher than in the previous year. Working costs, in spite of continued rise in the cost of all supplies and of increased wages, only show an increase of 6½d. per ton, a result which reflects great credit on the management.

Development was further restricted by shortage of supplies and the footage driven at 7,404 ft. is 1,673 ft. less than in the previous year. Most of the work was concentrated on the Odumase vein, where the results were highly satisfactory. The 10th and 11th levels on this vein are now being opened from winzes, and driving north on the 9th level has encountered a new ore-shoot on which development is continuing.

Ore reserves at 401,675 tons, averaging 12.02 dwts. per ton, show a decrease of 6,508 tons, but an increase of 1.42 dwts. in value.

In order to conserve vital supplies, a scheme of concentration was brought into force by His Majesty's Government. Four of the mines have closed down and have been put on a care-and-maintenance basis. Seven mines, including Konongo, remain in production, and on these a levy will be made to provide for the cost of maintenance of the mines closed down under the Order. Operations will be maintained at a rate estimated to produce 50,000 ozs. of gold per annum, and the distributable profit at this rate of output should not be less than at present.

The report and accounts were adopted.

FORSTER'S GLASS COMPANY, LIMITED

TRADING PROFIT MAINTAINED

The twenty-fourth annual general meeting of Forster's Glass Company, Limited, will be held on the 29th instant at the May Fair Hotel, Berkeley Square, London.

The following is an extract from the statement by the chairman (Colonel Charles E. Ponsonby, T.D., M.P.) which was circulated with the report and accounts:—The trading profit for the year has been maintained more or less at last year's level. Your directors consider this result to be satisfactory having regard to the increasingly difficult trading conditions.

The profit for the year amounts to £69,255, as against £65,989 last year, and from this has to be deducted a provision of £19,250 to meet the income-tax liability for the past year, leaving the net profit at £50,005. The directors recommend the distribution of a dividend of 10 per cent. and a cash bonus of 5 per cent. on the ordinary shares, both less income-tax, making 15 per cent. for the year, which is the same as last year.

Turning to the balance-sheet, the important change on the liabilities side is the elimination of the 5 per cent. mortgage debenture stock. The outstanding amount of £7,000, together with the £80,000 stock held by the bank, has been redeemed and cancelled during the year. It is satisfactory to note that there are now no charges of any kind on the company's assets.

Further capital expenditure has been incurred during the year in connection with the special work with which we have been engaged, and appropriate depreciation has been written off these assets.

As far as the present year is concerned, I can only say that results continue to be satisfactory, but owing to the concentration of certain industries and the quota system in others, there is a tendency for demand to fall, though in our own case the results have so far not been serious.

SELECTION TRUST, LIMITED

The ordinary general meeting of Selection Trust, Ltd., will be held on July 1, 1943, at Selection Trust Building, E.C.2. Following is a summary of the report of the directors embodying the annual statement by the chairman, Mr A. Chester Beatty.

Gross revenue of £268,271 was £18,402 more than last year, and the profit was £222,088, compared with £197,989.

The directors recommend payment on July 5th of a dividend of 10½d., less income-tax at 8s. 6½d in £.

The value of the quoted investments held by the company and its subsidiary, Seltrust Investments, Ltd., on basis of market prices at March 31, 1943, was substantially in excess of their book value.

The American Metal Co.'s surplus for 1942 was \$2,624,477, compared with \$3,135,495 for 1941. The 1942 earnings include only \$245,650 for dividends from Roan Antelope Copper Mines and Rhodesian Selection Trust, as against \$466,112 in 1941; further dividends amounting to \$749,974 from those sources were not received in time to be reflected in 1942 accounts. Earnings of Duquesne Smelting Corporation have come fully up to expectations. Among special activities entered into during 1942 are two large operations undertaken for account of the Defense Plant Corporation—the melting and recasting of Government-owned silver loaned to war plants for industrial purposes, and the designing, construction and operation of a new plant for producing magnesium from dolomite.

Roan Antelope Copper Mines paid a dividend of 6d. for year ended June 30th last. The progress of mining operations brought certain problems entailing considerable changes in method of mining, and this has temporarily interfered with output.

Mufulira Copper Mines resumed dividends last year, enabling Rhodesian Selection Trust to pay a dividend of 7½d. Production from Mufulira was highest recorded for that property, but heavy taxation continued to absorb greater part of earnings.

Consolidated African Selection Trust paid dividends totalling 7½d., free of tax, for the year ended June 30, 1942. Operations at mines in Gold Coast and Sierra Leone proceeded satisfactorily, and aggregate diamond sales were substantially higher than for preceding year.

The Ultramar Co. is concerned with development and exploitation of extensive oil concessions in Venezuela. Exploratory work continues to be encouraging, but is curtailed by war conditions. Efforts are being made to bring the concessions to the stage of production as early as possible. New share capital is being issued, and Selection Trust is participating in the underwriting.

No field operations have taken place during the past year on the properties in Orange Free State, in which the company is maintaining its interest.

(Continued from page 831)

outstanding impression left by the report and its recommendations is of their sound practicability and common-sense, although a warning note is sounded that at present prices, the houses they recommend would be beyond the means of the tenants. There is no demand for Utopia; the recommendations are of minimum standards, and prudence and moderation are behind the opinions expressed. The tenants questioned all live under good landlords, and can be classified roughly as those who employ no paid domestic help. There is evidence of some distrust, on grounds of unfamiliarity, for certain amenities which elsewhere are considered necessities. An example is the provision of constant hot water from an outside source (its reliability was questioned, but, oddly enough, the idea of central heating was liked), although the Society recommends its

LEA-FRANCIS ENGINEERING (1937), LIMITED

SUCCESSFUL RESULTS

The fifth annual general meeting of Lea-Francis Engineering (1937), Limited, was held, on the 21st instant, at the Masonic Hall, Coventry.

Mr G. H. Leek (chairman and managing director), addressing the shareholders said:

The accounts of this, the fifth, year of trading are presented in the same form as last year, with the exception that paper restrictions have reduced the size of the balance-sheet, and the comparison figures are shown again in pounds only, without shillings and pence.

If you will refer to the profit and loss account you will see that the gross profit on trading has increased from £51,000 to £90,000.

EPT hits this company severely, and we have had to provide £72,000 for EPT, income-tax and any contingencies. I would like to say that in this amount provision has been made for all income-tax on profits earned up to date.

Your directors have considered it desirable to write off the whole of the underwriting commission of £2,880, and £2,385, being 25 per cent. of preliminary expenses. I am sure that this will have your approval and I hope that it will not be long before the remainder of the preliminary expenses is eliminated from the balance-sheet.

After making this appropriation, it is proposed to pay a dividend of 8 per cent., which you will observe leaves a balance of profit of £2,298 to be carried forward. This amount compares favourably with £410 brought forward from last year.

It is hardly necessary for me to point out that both the debenture and mortgage have been paid off. The repayment involved other financial matters, and your directors authorised the borrowing temporarily of £10,156, which amount was repaid within three weeks.

As you are aware, I am allowed to say very little on the company's activities, but I am pleased to state that our relations with the various Ministries, and with the main contractors with whom we have been associated since January, 1939, are most happy.

The works are engaged day and night, and the financial result has been brought about by the wholehearted support and loyalty of the employees, both executive and productive. A good proportion of them have been associated with me for more than 25 years and there is no doubt that this long association of mutual understanding is reflected in the good results obtained.

The chairman concluded by moving the adoption of the report and accounts and the payment of a dividend of 8 per cent., less income-tax. This was seconded and carried unanimously.

The retiring director, Mr A. H. Perkins, was re-elected, and the auditors, Messrs Leech, Evans and Co., re-appointed.

The meeting closed with a vote of thanks to the chairman, who, it was stated, since the blitz of November, 1940, spent five nights every week at the works.

CABLE AND WIRELESS, LIMITED

(THE OPERATING COMPANY)

DIVIDEND OF 4 PER CENT.

The fourteenth ordinary general meeting of Cable and Wireless, Limited (the "operating" company), was held, on the 23rd instant, in London.

Sir Edward Wilshaw, K.C.M.G. (chairman and managing director), presided.

The accounts for the year 1941 showed a balance of £3,341,956 to be carried to the next account (subject to excess profits tax and other payments). From this sum a provision of £2,840,000 has now been made to meet excess profits tax, income-tax, and transfer to special account in accordance with the agreement with H.M. Treasury. Further, a sum of £200,000 has been added to general reserve. These appropriations leave a net amount of £301,956 to be carried to 1942.

The profit for the year, 1942, after meeting expenses and making necessary provisions, amounts to £1,278,718, and, adding the net amount brought forward from 1941, there is a sum of £1,580,674 available.

Out of this the directors have already paid an interim dividend of 1½ per cent., and they now recommend the payment of a final dividend of 2½ per cent., making 4 per cent. for the year. These dividends require £1,200,000, leaving £380,674 to be carried forward to the next account.

The directors regret that they have again to record casualties among the staff of the company. During the past year some have lost their lives while they were engaged in the service of the company, and the directors are still without news of the fate of many of the staff who were formerly employed in the Far East.

TRIBUTE TO THE STAFF

Sir Edward Wilshaw, expressing a tribute to the staff, said: It is fitting that I should again place on record here the pride I feel in the staff, whose fine and devoted service throughout these long years of war has enabled the company to play its vital part in the struggle. Their work has been arduous and exacting, but whether it was in times of depression and adversity, in situations of peril on the high seas in our ships or in transit to their posts, under bombardment in this country and in such stations as Gibraltar and Malta, under invasion in the Far East, or in brighter and more hopeful days, they have risen magnificently to every call upon them to get vital war traffic through in the face of difficulties of which only they can realise the full extent.

It is a matter of pride and gratification to me that several specific cases of individual bravery in the execution of their duty on the part of members of the staff of the company have been honoured by recognition from His Majesty in recent Honours Lists.

The chairman then moved the adoption of the report and accounts and the payment of the dividends as recommended.

Admiral H. W. Grant, C.B., seconded the resolution and it was carried unanimously.

installation wherever possible. The primary conclusion is that space and privacy must be the first consideration. It is perhaps for this reason that the numbers who preferred flats (even though some were flat dwellers) was small. Of those now living in cottage estates in the provinces and outer London, only three per cent preferred flats, but in London itself 21 per cent preferred them. Special attention has been paid to the living room problem, and its relation to the scullery and the parlour. It appears that a scullery in which meals can be taken is wanted, and that there is a great demand for parlours to supplement the living room, and not merely "for visitors." Space outside the dwelling (a function of the desire also for privacy), with sunshine and "greenery," is almost as important as the dwelling itself. Inside, the size of rooms wanted is moderate—a minimum of 180 square feet for the living room, although

there is a demand for more bedrooms than is at present laid down by housing standards. Cooking and heating facilities, gardens, cupboard and storage space, facilities for laundering, and the special needs of different sized families and the aged are all examined. The report provides a well-balanced and sound basis for discussion of the post-war homes of families with small incomes

Colliery Freeholds

Under the Coal Act, 1938, by which the State acquired the ownership of the coal royalties and unified their control through a new Coal Commission, colliery undertakings owning freeholds were given the right to a lease on terms "so framed as to secure that their financial position in respect of working the coal shall neither be adversely affected nor improved." They were to receive their agreed compensation payments, but on condition that these were returned together with the value of the relief from Mineral Rights Duty and the Royalties Welfare Levy "in the form of a rent payable for the period in which it was estimated that the coal would be worked out." When the measure was under discussion the colliery owners pleaded for the insertion of a clause giving them the option of handing over the compensation and receiving in return a lease at a peppercorn rent. This application was opposed by the Government, and the original clause enacted. Experience since July 1, 1942, when the Act became operative, has proved the clause (sub-

section 2 of Section 13) to be unworkable. When introducing an amending Bill in the House of Lords, on June 8th, the Earl of Munster pointed out that it was not possible to state precisely beforehand either the period it would take to work the coal out, or to estimate the rate of output per annum. Moreover, economic and financial conditions have changed so much since 1938 that it is now thought impossible to determine whether the financial position of the freeholder would be adversely affected or improved by the terms originally contemplated. The new Bill, therefore, amends the principal Act to provide that the colliery freeholder shall refund his compensation to the Coal Commission, and take a lease at a peppercorn rent, but carrying the same liabilities as he did as a freeholder. It is possible, however, that after further discussions of the Bill the proposed amendment will be withdrawn, and only the latter part of sub-section 2 of Section 13 repealed. It appears that during recent discussions between the Commission and the Ministry of Fuel a suggestion was made that the Government would be prepared to adopt this course if the owners retained their compensation, and took a lease on terms that were fair between landlord and tenant in the ordinary way. Apparently, most of the colliery freeholders are agreeable to this procedure, particularly in view of the burden of the present high income-tax and of their continued liability for the mineral rights and royalty welfare levies under a peppercorn lease. The views of the different districts of the Mining Association have been ascertained during the past week, and they have been communicated to the Government.

RECORDS and STATISTICS

STOCK EXCHANGES London

Note: all dealings are for cash

SOME improvement in both turnover and prices has been evident in the markets during the past week. Numerous gains ranging from $\frac{1}{2}$ to $\frac{1}{4}$ were registered in the *gilt edged* market, reflecting, in part, the virtual conclusion of the country-wide savings drives. Activity in the *foreign bond* market was at a low ebb, and there was practically no improvement in prices on some inquiry for European and South American bonds. Little interest was displayed in the *home rail* market where apart from scattered declines for the equity and marginal stocks, quotations were hardly changed. Argentine rail stocks were dull throughout, losses for junior and senior issues ranging from $\frac{1}{2}$ to 1 point. San Paulo, which had fallen some 9 points on the accounts, recovered 5 on the news of an increase in charges.

There was little of note in the *industrial* market, where fluctuations were generally insignificant. Brewery shares were slightly firmer than of late, while, among tobacco issues, Imps advanced $\frac{1}{2}$. Movements in the motor and aircraft section were erratic, De Havilland gaining $\frac{1}{2}$ on the week, while AEC and Leyland fluctuated widely, with little change on balance. Heavy industrial stocks were dull early this week, but in a later recovery Powell Duffryn was outstanding, with a rise of 1s. 3d. on the increased distribution. Courtaulds, Lancashire Cotton and English Sewing Cotton were prominent in a firm textile group, while among shipping shares, Anchor Line was outstanding with a gain of 1s. 6d. Dollar shares recovered strongly on the news of the settlement of the coal dispute after earlier setbacks, and elsewhere Radiation and Sudan Plantations were well supported.

The lower dividends had been largely discounted by the Cape, and prices this week in the *kaffir* market responded sharply to demand from that quarter. In particular, Far Western Rand issues were bought, Blyvoors advancing 5s. 6d. on the week. Others to advance were West Wit Areas, Rand Mines and Geduld. *Diamond* shares were active on news of the record sales at the "sights," De Beers, Consolidated Diamonds and Anglo-American Trust all advancing strongly. In the *tea* market, Indian issues were in favour, but there was

little of note in the *rubber* market. In contrast to recent weeks, oil shares were strongly supported. Burmah and Anglo-Iranian both advanced $\frac{1}{2}$ and Shell $\frac{3}{4}$, while among other shares, Trinidad Freeholds were outstanding with a rise of $\frac{1}{2}$.

"FINANCIAL NEWS" INDICES

1943	Total Bargains in S.E. List	Corres. Day 1942	Security Indices	
			30 Ord. Shares*	20 Fixed Int.†
June 17.....	4,016	2,474½	98.8	134.1
" 18.....	4,129	2,538½	98.7	134.1
" 21.....	4,977	3,465	98.7	134.1
" 22.....	3,819	2,722	98.7	134.1
" 23.....	4,140	2,843	98.8	134.1

* July 1, 1935=100. † 1928=100. 30 Ordinary shares, 1943: highest, 99.7 (May 11), lowest, 94.1 (Jan. 4). 20 Fixed Int., 1943: highest, 136.8 (Jan. 22); lowest, 134.1 (June 23). ‡ Old basis.

New York

ANTICIPATION of early developments in the European theatre of war resulted in some of the slowest sessions on Wall Street this year. With both buyers and sellers holding off, prices fluctuated narrowly without trend. The effect on prices of the revival of the coal crisis was slight and markets were irregular on the settlement.

DAILY AVERAGE OF 50 COMMON STOCKS

June 10	June 11	June 12	June 14	June 15	June 16
121.3	120.7	120.0	118.8	119.2	119.5

1943: High, 122.4, June 3; Low, 99.5, Jan. 2.

STANDARD STATISTICS INDICES

(1935-36=100)

(WEEKLY AVERAGES)

	1943		June 2, 1943	June 9, 1943	June 16, 1943
	Low Jan. 6	High June 2			
347 Industrials.....	81.1	99.7	99.7	99.4	98.2
32 Rails.....	72.6	98.5(b)	97.4	95.0	92.0
40 Utilities.....	67.9	85.3(a)	85.0	85.1	83.7
419 Stocks.....	78.5	97.3	97.3	96.9	95.5
Av. yield %.....	5.36	4.47	4.47	4.50	4.56

(b) May 5. (a) June 9. * 50 Common Stocks.

Total share dealings: June 17, 741,000; June 18, 683,000; June 19,* 303,000; June 20, 715,000; June 22, 698,000; June 23, 830,000.

* Two-hour session only.

Capital Issues

Week ending June 26, 1943	Nominal Capital £	Con- versions £	New Money £
Particulars of Government issues appear on page 837.			
Year†	£	£	£
1943.....	947,249,082	931,899,998	
1942.....	802,784,137	798,782,078	

Destination (Conversions Excluded)

Year†	U.K.	Brit. Emp. ex. U.K.	Foreign Countries
1943.....	929,885,636	1,375,685	638,677
1942.....	798,538,730	199,308	44,040

Nature of Borrowing (Conv. Excl.)

Year†	Deb.	Prof.	Ord.
1943.....	924,685,171	659,837	6,554,998
1942.....	792,427,170	680,476	5,674,432

† Includes Government issues to June 15, 1943, only. Above figures include all new capital in which permission to deal has been granted.

CONVERSIONS AND REPAYMENTS

Bengal - Nagpur Railway.—The £2,000,000 4 per cent. debenture stock outstanding will be repaid on January 1, 1944.

Shorter Comments

Oreogum Gold Mining Company of India (£000s).—Profit for year £93 (£74). To income-tax £60 (£20). NDC and EPT £6 (£3). Machinery £20 (£20). Contingency £3 (£3). Ord. dividend nil (5). Forward £15 (£9).

Nitrate Railways Company (£000s).—Gross receipts £198 (£168). Working expenses £190 (£167). Net surplus £7 (Dr £16). Divs. on ord. and pref. conv. ord. shares 1½ per cent. as before. Carry forward £196 (£183).

Antofagasta (Chile) and Bolivia Railway (£000s).—Balance on net revenue account 1942 £272 (£247), which it is proposed to carry forward. The balance is struck after making provision for income tax, full year's interest on debenture stocks and contributions to renewals and staff benevolent fund.

GOVERNMENT RETURNS

For the week ended June 19, 1943, total ordinary revenue was £26,519,000, against ordinary expenditure of £91,601,000, and issues to sinking funds of £135,000. Thus, including sinking fund allocations of £1,953,077, the deficit accrued since April 1st is £802,315,000 against £668,305,000 for the corresponding period a year ago.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Receipts into the Exchequer (£ thousands)			
	April 1 to June 20, 1942	April 1 to June 19, 1943	Week ended June 20, 1942	Week ended June 19, 1943
ORDINARY REVENUE				
Income Tax.....	109,628	131,836	8,434	7,875
Sur-tax.....	7,282	7,602	230	310
Estate, etc., Duties.....	22,871	22,672	2,135	1,714
Stamps.....	1,850	1,690	...	...
N.D.C. E.P.T. Other Inland Rev.	5,148 52,316 200	4,671 75,355 120	400 4,870 ...	490 5,533 20
Total Inland Rev.	199,295	243,946	16,069	15,942
Customs.....	101,344	116,173	8,887	10,769
Excise.....	73,800	86,800	1,800	2,600
Total Customs & Excise.....	175,144	202,973	10,687	13,369
Motor Duties.... Canadian Govt. Contribution.... Post Office (Net Receipts)..... Wireless Licences. Crown Lands..... Receipts from Sundry Loans Miscell. Receipts.	3,145 89,085 4,700 510 200 617 14,235	1,838 Dr... 1,700 600 190 866 11,935	...	8,989 Dr... 3,350 ...
Total Ord. Rev.	486,931	460,649	32,914	26,519
SELF-BALANCING P.O. & Brdcastg.	22,650	24,900	5,050	5,300
Total.....	509,581	485,549	37,964	31,819

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to June 20, 1942	April 1 to June 19, 1943	Week ended June 20, 1942	Week ended June 19, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	93,110	95,642	2,745	3,101
Payments to N. Ireland.....	1,306	1,341	...	...
Other Cons. Fund Services.....	358	284	...	...
Total.....	94,774	97,268	2,745	3,101
Supply Services.	105,880	116,374	85,500	88,500
Total Ord. Exp.	115,354	126,101	88,245	91,601
SELF-BALANCING P.O. & Brdcastg.	22,650	24,900	5,050	5,300
Total.....	117,634	128,591	93,295	96,901

Expenditure	Issues out of the Exchequer to meet payments (£ thousands)			
	April 1 to June 20, 1942	April 1 to June 19, 1943	Week ended June 20, 1942	Week ended June 19, 1943
ORDINARY EXPENDITURE				
Int. & Man. of Nat. Debt.....	93,110	95,642	2,745	3,101
Payments to N. Ireland.....	1,306	1,341	...	...
Other Cons. Fund Services.....	358	284	...	...
Total.....	94,774	97,268	2,745	3,101
Supply Services.	105,880	116,374	85,500	88,500
Total Ord. Exp.	115,354	126,101	88,245	91,601
SELF-BALANCING P.O. & Brdcastg.	22,650	24,900	5,050	5,300
Total.....	117,634	128,591	93,295	96,901

After increasing Exchequer balances by £239,982 to £2,715,500, the other operations for the week (no longer shown separately) raised the gross National Debt by £65,661,750 to £17,667 million.

MONEY MARKET

Exchange Rates.—The following rates fixed by the Bank of England remained unchanged between June 18th and June 24th. (Figures in brackets are par of exchange.)

United States. \$ (4.868) 4-02½-03½; mail transfers 4-02½-03½. **Canada.** \$ (4.868) 4-43-47; mail transfers 4-43-47½. **Switzerland.** Francs (25-22½) 17-30-40. **Sweden.** Krona (18-159) T.T. 16-85-95; bank notes at Bank of England, 17-40 kr. **Dutch West Indies.** Florin (12-11) 7-58-62; **Portugal.** Escudos (110) 99-80-100-20; mail transfers 99-80-100-30. **Panama.** 4-02-04; mail transfers 4-02-04½. **Brazil.** 83-64½ cr. (buying). **Uruguay.** 7-6597 (buying).

Fixed Rates for Payment at Bank of England for Clearing Office. Spain. Peseta 40-50 (Official rate). Turkey. Piastres 520. Italy. 71-25 lire.

NET ISSUES (£ thousands)	
P.O. and Telegraph.....	200
Overseas Trade Guarantee.....	39
	239
NET RECEIPTS (£ thousands)	
Overseas Trade Guarantee.....	34

FLOATING DEBT	
(£ millions)	
Date	Treasury Bills
	Ten-der
	Tap
	Public Depts.
	Bank of Eng-land
	Treasury De-posits by Banks
	Total Floating Debt
1942	
June 21	935-0
Mar. 20	975-0
" 31	2838-9
Apr. 3	975-0
" 10	975-0
" 17	980-0
" 24	990-0
May 1	1005-0
" 8	1020-0
" 15	1035-0
" 22	1050-0
" 29	1065-0
June 5	1080-0
" 12	1095-0
" 19	1110-0

TREASURY BILLS	
(£ millions)	
Date of Tender	Amount
	Offered
	Applied for
	Allotted
	Average Rate of Allotment %
	Per Cent Allotted at Min. Rate
1942	
June 19	75-0
1943	
Mar. 26	75-0
Apr. 2	75-0
" 9	80-0
" 16	85-0
" 23	90-0
" 30	90-0
May 7	90-0
" 14	90-0
" 21	90-0
" 28	90-0
June 4	90-0
" 11	90-0
" 18	90-0

On June 18th 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 42 per cent. of the amount applied for, and applications at higher prices in full. Applications at £99 15s. for bills to be paid on Saturday were accepted in full. £90 millions of Treasury Bills are being offered on June 25th. For the week ending June 26th, the banks will be asked for Treasury deposits to the maximum amount of £90 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 1951-53
May 11.....	7,146
" 18.....	10,702
" 25.....	10,429
June 1.....	12,348
" 8.....	12,176
" 15.....	8,488
" 22.....	...
Totals to date ..	846,642*

* 186 weeks. † 129 weeks. ‡ 30 weeks. ¶ Including all Series.

Interest free loans received by the Treasury up to June 22nd amounted to a total value of £57,628,380. Up to May 29th, principal of Savings Certificates to the amount of £107,122,000 has been repaid.

MARKET RATES.

The following rates remained unchanged between June 18th and June 24th:

Egypt. Piastres (97½) 97½-1. **India.** Rupee (18d. per rupee) 17½-18½d. **Belgian Congo.** Francs (16d. per franc) 17½-18½d. **China.** National \$3-3½. **Iran.** 128-130.

Special Accounts are in force for Chile, Peru, Bolivia and Paraguay, for which no rate of exchange is quoted in London. Rate for payment into Argentine special account is 15-95 pesos.

Forward Rates.—Forward rates for one month have remained unchanged as follows: **United States.** 3 cent pm-par. **Canada.** 1 cent pm-par. **Switzerland.** 3 cents pm-par. **Sweden.** 3 cent pm-par.

MONEY RATES, LONDON.—The following rates remained unchanged between June 18th and June 24th. Bank rate, 2% (changed from 3% October 26, 1939). Discount rates: Bank Bills 60 days 1½% 3 months

BANK OF ENGLAND RETURNS

JUNE 23, 1943

ISSUE DEPARTMENT

Notes Issued:	
In Circulation.....	947,743,418
In Bank, Department.....	52,498,300
Govt. Debt.....	11,015,100
Other Govt. Securities.....	988,445,502
Other Secs.....	828,629
Silver Coin.....	10,769
Amt. of Fid. Gold Coin & Bullion (at 168s. per oz. fine).....	1,000,000,000
	241,718
1000,241,718	1000,241,718

BANKING DEPARTMENT

Propos. Capital	
Rest.....	14,553,000
Public Depts.*	7,270,144
Govt. Secs. ...	153,747,838
Other Secs. ...	988,445,502
Advances.....	5,039,845
Securities.....	15,936,345
Other Depts. ...	20,976,690
Bankers.....	52,498,300
Other Accts.....	203,074,298
Notes & Silver Coin.....	9

PROVINCIAL BANK CLEARINGS
£ thousands

	Week ended	Aggregate from Jan. 1 to
	June 20, 1942	June 19, 1943
Working days	6	5
Birmingham	2,113	1,644
Bradford	1,396	1,139
Bristol	2,941	2,525
Bull	631	286
Leeds	843	495
Liverpool	733	527
Manchester	3,920	3,287
Newcastle	11,096	9,883
Nottingham	1,256	1,157
Sheffield	745	577
Southampton	109	113
12 Towns	26,311	20,350
Dublin*	5,868	6,776
	June 13, 1942, and June 12, 1943.	June 12, 1943.

OVERSEAS BANK
RETURNSSOUTH AFRICAN RESERVE BANK
Million £'s

	May 1942	April 1943	April 1943	May 1943
ASSETS				
Gold coin and bullion	52.62	67.07	67.68	67.72
Bills discounted	0.95	7.99	8.67	8.66
Invest. and other assets	53.96	83.07	84.55	83.63
LIABILITIES				
Notes in circulation	30.33	39.86	43.13	41.79
Deposits: Government	9.24	12.69	10.42	7.77
Bankers'	56.52	95.32	96.79	99.41
Others	7.43	5.83	7.15	7.42
Reserve ratio	50.9%	43.7%	43.7%	43.5%

U.S. FEDERAL RESERVE
Million \$'s

	June 18, 1942	June 3, 1943	June 10, 1943	June 17, 1943
12 U.S. BANKS				
Gold coin and bullion	20,554	20,215	20,192	20,189
Due from Treasury	20,845	20,697	20,715	20,699
Total reserve	275	345	345	367
Total cash reserves	2,578	6,216	6,336	6,626
Total U.S. Govt. securities	2,591	6,254	6,662	6,650
Total bills and securities	24,995	28,556	28,860	29,441
LIABILITIES				
F.R. notes in circulation	9,229	13,625	13,680	13,656
Excesses due bank deposits	2,790	1,630	1,510	1,530
Mr. bank res. dep.	12,706	12,056	12,165	12,511
Govt. deposits	160	6	179	6
Total deposits	14,143	13,295	13,692	13,775
Total liabilities	24,995	28,556	28,860	29,441
Reserve ratio	89.2%	76.1%	75.3%	75.1%
BANK AND TREASURY RESOURCES				
Monetary gold stock	32,729	22,427	22,407	22,407
Treasury & bank currency	3,511	4,075	4,078	4,080
LIABILITIES				
Money in circulation	12,208	17,196	17,237	17,189
Treasury cash and dep.	2,349	2,278	2,452	2,284

AUSTRALIAN COMMONWEALTH
BANK Million £'s

	April 20, 1942	April 12, 1943	April 19, 1943	April 26, 1943
ASSETS				
Gold and English ster.	24.95	33.39	35.14	35.14
Other coin, bullion, etc.	9.91	11.35	8.89	8.89
Call money, London	27.10	44.26	42.96	43.82
Securities and advances	104.91	205.01	211.93	211.93
Discounts and advances	30.23	25.85	23.38	23.04
LIABILITIES				
Notes issued	95.36	135.86	134.86	135.86
Deposits, etc.	121.59	178.94	177.51	178.56

CENTRAL BANK OF ARGENTINA
Million paper pesos

	April 30, 1942	May 15, 1943	April 15, 1943	April 30, 1943
ASSETS				
Gold at home	1,077	1,076	1,075	1,077
Other gold and for exch.	529	1,226	1,170	1,411
Non-int. Govt. bonds	119	113	113	113
Treasury bonds	394	392	392	392
LIABILITIES				
Notes in circulation	1,472	1,698	1,612	1,641
Deposits: Government	50	205	487	437
Bankers'	588	805	734	805
Certs. of participation	18	27	22	16
Reserve ratio	75.4%	81.5%	81.8%	81.9%

CENTRAL BANK OF TURKEY
Million Turkish pounds

	May 1942	Feb. 1943	Mar. 1943	Mar. 1943
ASSETS				
Gold	134.7	155.5	155.5	155.5
Clearing and other exch.	65.7	83.1	93.3	102.5
Treasury bonds	135.0	133.7	133.7	133.7
Commercial bills	318.6	476.9	470.2	469.2
Securities	55.6	59.9	60.1	60.9
Advances	234.2	261.6	261.7	262.3
LIABILITIES				
Notes in circulation	591.0	697.6	713.5	716.6
Deposits: Government	177.1	297.1	283.1	288.2
Bankers'	177.1	297.1	283.1	288.2
Clearing and other exch.	24.8	25.5	28.4	28.4

RESERVE BANK OF INDIA
Million rupees

	June 1942	May 1943	May 1943	June 1943
ASSETS				
Gold coin & bullion	444	444	444	444
Rupee coin	275	136	130	178
Balance abroad	632	774	785	792
Sterling securities	2,569	5,235	5,295	5,425
Int. Govt. r.p. seos.	1,492	1,257	1,257	1,207
Investments	85	75	75	75
LIABILITIES				
Notes in circ.: India	4,359	6,961	7,006	7,041
Hurma	287	262	246	230
Deposits: Govt.	148	491	495	578
Bankers'	591	491	495	531
Reserve ratio	53.0%	80.3%	80.6%	80.7%

COMMODITY AND INDUSTRY NEWS

Control of Soya Flour.—The Minister of Food has made a new Order controlling soya flour. The effect will be to prevent the pre-packing of soya flour after June 30, 1943. Holders of stocks will, however, be granted adequate time to dispose of their holdings. Soya flour will, in future, be used primarily by manufacturers, but in order to assist vegetarians, etc., a quantity of loose soya flour will in due course be available at a price not exceeding 5d. per lb. The soya flour referred to is distinct from low-fat soya products for incorporation in sausages.

Export Control.—By the Export of Goods (Control) (No. 6) Order (S.R. and O., 1943, No. 842), which comes into force on July 5th, control is extended to cover putty, silica bricks, spectacle lenses and blanks; and additional metal goods, machinery, rubber manufactures and chemicals.

Argentine Linseed.—Recent events in Argentina do not appear to have had much effect upon export trade. Shipments of linseed are taking place from ports other than Buenos Aires. Plate is offered in volume by the Grain Board, and is in demand by the American Economic Committee for account of the United Nations.

Sugar for Jam.—The sugar ration will be doubled for the weeks beginning July 11th and 18th, making it 1 lb. per head weekly. This concession is for jam-making. In addition, the option to take sugar instead of preserves (1 lb. of sugar in

place of 1 lb. of preserves), which began on April 4th and was to end on June 26th, has been extended until August 21st. The concession is for the benefit of those who grow their own fruit, but the Ministry of Food announced this week that the plum crop should be good (though not as heavy as last year's crop), and some should be on sale at the shops.

Transport for Harvest Workers.—Arrangements for the conveyance of large numbers of additional farm workers required for gathering in the harvest have been simplified by a Ministry of War Transport Order which allows the use of motor goods vehicles for this purpose without the issue of the public service vehicle permits and road service permits which are normally necessary. The Order, which took effect on June 21st, will remain in force until November 30, 1943. Motor vehicle insurers have agreed that the arrangements for insurance cover for the carriage of farm workers on motor goods vehicles shall be effective during the 1943 harvesting season as they were during the corn harvest in 1942.

Soft Drinks.—The Minister of Food has made the Soft Drinks Order, 1943, prescribing maximum prices and ingredients for an approved range of soft drinks. The Order also revokes previous Orders governing the production and distribution of soft drinks, viz., The Soft Drinks (Current Prices) Order, 1942, the Soft Drinks (Licensing and Control) Order, 1942, the

Soft Drinks (Marking of Containers) Order, 1942, and the Soft Drinks (Returnable Containers) Order, 1942, but re-enacts their operative provisions in a single consolidating document which thus forms a Soft Drinks Code. In this Order soft drinks are defined, as previously, under the headings of concentrated and unconcentrated. The Order lays down that liquid soft drinks shall only be sold in containers of prescribed sizes, which must be filled to normal filling level, and sets out maximum prices for soft drinks so sold. Provisions regarding maximum prices and ingredients come into effect on June 27, 1943, in respect of licensed manufacturers, and on July 31, 1943, in respect of other sales. The Order requires all manufacturers and packers of soft drinks to be licensed.

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

	June 17, 1943	June 18, 1943	June 21, 1943	June 22, 1943	June 23, 1943
Crops	118.4	118.5	118.4	118.1	118.1
Raw materials	182.3	182.3	182.3	182.3	182.3
Complete Index	148.9	147.0	147.0	146.8	146.8
	Mar. 31, 1937	Aug. 31, 1937	June 23, 1942	May 24, 1943	June 16, 1943
Crops	147.9	92.2	115.5	117.6	118.1
Raw materials	207.3	122.9	172.7	182.3	182.3
Complete Index	175.1	106.4	141.2	146.5	146.8

* Highest level reached during 1932-37 recovery.

AMERICAN WHOLESALE PRICES

	June 15, 1943	June 22, 1943	June 15, 1943	June 22, 1943
GRAINS (per bushel)—				
Wheat, Chicago, July	144	142	144	142
Winnipeg, July	1001	1004	1001	1004
Maize, Chicago, July	105	105	105	105
Oats, Chicago, July	68	65	68	65
Rye, Chicago, July	97	95	97	95
Barley, Winnipeg, July	64	64	64	64
METALS (per lb.)—				
Copper, Connecticut	12.00	12.00	12.00	12.00
Tin, N.Y., Straits, spot	52.00	52.00	52.00	52.00
Lead, N.Y., spot	6.50	6.50	6.50	6.50
Spelter, East St. Louis, spot	8.25	8.25	8.25	8.25
MISCELLANEOUS (per lb.)—				
Cocoa, N.Y., Accra, July	8.81	8.81	8.81	8.81
Coffee, N.Y., cash—				
Rio, N.Y.	98	98	98	98
Santos, No. 4	134	134	134	134
Cotton, N.Y. Am. mid., spot	21.98	21.72	21.98	21.72
Am. mid., July	20.33	20.25	20.33	20.25
Cotton, Oil, N.Y., May	13.95	13.95	13.95	13.95
Lard, Chicago, Mar.	13.80	13.80	13.80	13.80
Petroleum, Mid-cont. crude, per barrel	117	117	117	117

† Trading suspended.

‡ Nominal.

COMPANY RESULTS (June 9, 1943, to June 23, 1943)

Company	Year Ended	Total Profit	Depreciation, etc.	Net Profit after Deb. Interest	Available for Distribution	Appropriation					Preceding Year		
						Prof. Div.	Ord. Div.	Rate	To Free Reserves	+ or - in Carry Forward	Total Profit	Net Profit	Ord. Div.
Coal, Iron and Steel		£	£	£	£	£	%	£	£	£	£	%	
Park Gate Iron & Steel	Mar. 31	150,252	60,000	59,252	107,008	...	40,000	4	20,000	- 748	156,529	54,785	4
Rubber													
Amalgamated Borneo Rubber	Mar. 31	626	...	Dr. 577	9,894	300	...	...	...	- 877	15,491	9,309	NH
Cheviot Rubber	Dec. 31	1,620	...	741	41,117	...	...	...	...	+ 741	88,274	18,517	NH
Edinburgh Rubber	Dec. 31	2,028	...	Dr. 1,286	7,729	...	...	...	...	- 1,286	28,742	4,722	NH
Edinburgh Rubber	Nov. 30	3,478	...	Dr. 1,134	2,044	...	...	...	...	- 1,134	21,871	2,302	NH
Hannella Rubber	Dec. 31	17,964	...	3,741	5,969	...	3,098	15	...	+ 643	9,608	3,189	15
Harpenden (Selangor) Rubber	Mar. 31	470	...	Dr. 1,630	8,501	...	...	...	...	- 1,630	34,656	9,056	NH
Jasin (Malacca) Rubber	Dec. 31	1,736	...	Dr. 1,494	4,979	...	...	...	...	- 1,494	14,184	2,357	NH
Java Rubber Plantations	Dec. 31	186	...	Dr. 21,348	50,659	...	...	...	...	- 21,348	24,778	3,687	NH
Labu (F.M.S.) Rubber	Dec. 31	1,258	...	378	3,992	...	...	...	...	+ 378	82,876	29,400	NH
North Hummock (Selangor)	Mar. 31	867	...	Dr. 817	46,618	...	...	...	...	- 817	6,401	Dr. 190	NH
Rembau Jelai Rubber	Dec. 31	1,956	...	966	11,858	...	...	...	...	+ 966	61,353	24,941	NH
Scottish Malayan Estates	Dec. 31	2,613	...	473	11,858	...	...	...	...	+ 473	82,512	11,086	3
Strathmore Rubber	Dec. 31	1,418	...	521	9,094	...	...	...	...	+ 521	22,345	4,528	3
Sungei-Timah (Perak) Rubber	Mar. 31	5,094	...	1,802	5,056	...	...	...	...	+ 1,802	6,252	Dr. 165	NH
Trolak Estates	Nov. 30	822	...	Dr. 590	3,566	...	...	...	...	- 590	24,502	3,706	NH
Trusts													
Abbots Investment	April 15	48,847	...	12,485	28,142	...	10,312	4	5,000	- 2,827	48,495	12,218	4
Anglo-Celtic Trust	April 5	82,774	...	21,886	59,025	...	15,875	2	...	+ 1,778	79,318	19,730	2
Consolidated Trust	April 15	77,230	...	40,118	40,118	...	23,275	16,447	3	...	79,104	40,813	8
Second London Scottish American	April 30	55,986	...	42,307	74,748	...	30,000	12,000	8	...	56,238	43,053	3
Westpool Investment	April 30	42,113	...	15,605	21,857	...	15,683	7	...	- 78	42,260	15,346	7
Witan Investment	April 15	207,686	...	101,408	208,733	...	64,350	9	...	+ 4,883	200,166	95,850	9
Other Companies													
Advance Laundries	Mar. 31	105,580	28,659	23,499	49,403	39,780	...	...	...	- 16,281	57,652	15,505	NH
Alliance Box Co.	Mar. 31	67,630	...	15,579	34,026	12,500	25	11,707	- 12,378	53,031	17,214	25	
Amalgamated Press	Feb. 28	973,141	...	325,788	544,716	157,500	66,000	11	100,000	+ 2,288	750,162	313,765	9
Argentine Estates of Bovril	Sept. 30	72,732	14,475	49,649	121,227	45,525	...	...	...	+ 4,128	60,433	60,433	NH
Armitage (Sir Elkannah) & Sons	April 3	15,169	...	8,113	33,403	...	9,375	7 1/2	5,000	- 6,262	13,737	10,253	6 1/2
Armstrong, Stevens & Son	Dec. 31	32,521	4,718	9,267	22,273	...	8,759	17 1/2	...	+ 508	25,017	11,017	17 1/2
Bairds & Scottish Steel	Dec. 31	81,231	...	78,731	144,247	31,500	42,000	5	...	+ 5,231	80,287	77,788	5
Ballito Hosiery Mills	Dec. 31	112,892	...	11,259	16,807	4,981	5,063	12 1/2	1,000	+ 215	108,572	11,486	12 1/2
Barrow Hematite Steel	Dec. 31	160,700	30,000	115,067	143,491	...	17,681	5	100,000	- 2,164	60,315	11,530	NH
Booth's Distilleries	Mar. 31	178,313	...	60,562	98,544	26,381	18,000	6	15,000	+ 1,181	212,730	58,125	2
British Drug Houses	Dec. 31	52,957	21,491	24,591	43,021	9,085	4,000	2	10,000	+ 1,506	44,395	31,224	4
British Timken	Dec. 31	151,202	25,030	54,097	78,731	...	30,000	15	20,000	+ 4,097	145,611	48,924	15
Burton (Joseph) & Sons	April 17	39,054	5,452	22,199	48,345	8,000	8,500	7 & 10	...	+ 699	35,058	23,685	7 & 10
Cable & Wireless (Holdings)	Dec. 31	1,370,343	...	1,221,178	1,477,507	922,162	27,425	...	...	+ 24,725	1,367,185	1,210,700	9
Cable & Wireless (Operating Co.)	Dec. 31	625,254	...	1,278,718	1,580,674	...	1,200,000	4	...	+ 78,718	5,775,525	828,349	4
Cerebos Limited	Mar. 31	229,384	...	170,389	265,819	...	200,000	4	...	- 29,611	238,715	188,715	40
City of London Real Property	April 12	179,578	...	2,755	228,725	37,439	...	...	...	- 34,684	196,222	17,338	NH
Cope Brothers & Co.	Mar. 31	34,727	...	33,126	96,568	...	26,250	14	...	+ 6,876	30,097	28,497	14
Craig & Rose	Mar. 31	11,939	...	11,939	21,233	5,000	6,000	6	...	+ 939	12,379	12,379	6
Crossley Motors	Mar. 31	80,985	20,000	58,372	78,017	...	45,000	15	10,000	+ 3,372	77,586	55,351	15
De Havilland Aircraft	Sept. 30	43,825	...	40,725	69,982	...	40,000	10	...	+ 725	108,108	92,174	10
Derbyshire Stone	Dec. 31	50,045	...	40,026	89,838	11,715	21,300	10	...	+ 7,011	60,281	43,551	10
Dick (W. B.) & Co. (Holdings)	Mar. 31	150,202	...	19,437	53,837	8,137	13,750	10	...	- 2,450	157,572	17,937	10
Doncaster Amalgamated Collieries	Mar. 31	463,712	186,546	266,353	387,940	45,275	129,483	5	70,000	+ 21,595	421,445	217,582	4
Forestal Land & Timber, &c.	Dec. 31	661,424	...	287,444	436,755	55,976	166,898	9	50,000	+ 14,570	643,175	287,707	9
Forster's Glass Co.	Mar. 31	75,580	...	60,005	67,001	13,125	25,781	5	5,000	+ 6,098	40,988	17,000	19
Goodlass Wall & Lead Industries	Dec. 31	287,884	...	111,793	191,815	64,764	7	...	...	- 2,054	305,346	100,338	6
Greene, King & Sons	May 31	388,150	11,275	87,072	149,639	10,000	70,200	18	1,969	+ 4,903	347,090	96,335	18
Griffiths Hughes Proprietaries	Mar. 31	79,021	...	74,355	80,486	27,500	45,000	6	...	+ 1,855	78,674	74,027	6
Hall & Co.	Mar. 31	189,412	...	54,398	249,124	3,712	28,857	30	30,000	- 7,901	168,169	33,029	25
Hanson (Sam'l.) & Son	Jan. 2	35,246	9,657	12,264	21,842	6,875	5,000	10	...	+ 389	66,643	12,599	10
Hardman (Thomas) & Sons	Mar. 27	35,819	4,100	16,868	39,375	2,750	8,125	16 1/2	...	+ 5,993	37,592	16,014	16 1/2
Harper (John) & Co.	Mar. 28	110,616	...	28,095	38,834	3,210	15,000	15	...	+ 9,885	69,258	27,476	15
Hattersley (Ormskirck)	Mar. 31	83,567	...	31,421	44,538	...	21,875	17 1/2	10,000	- 454	81,684	32,315	17 1/2
Heald Brothers	Mar. 31	106,840	...	33,320	110,340	11,000	16,500	15	...	+ 15,710	103,608	42,500	15
Holbrooks Limited	Mar. 31	59,800	...	22,790	40,750	2,093	13,500	7 1/2	5,000	+ 2,397	44,076	12,848	7 1/2
Investment Corporation of Canada	April 30	16,657	...	4,472	33,597	7,425	...	...	...	- 2,353	15,399	3,127	NH
Jenson & Nicholson	Dec. 31	87,148	9,814	24,747	30,900	17,314	4,448	15	2,000	+ 985	82,752	21,792	10
Jury Holloware (Stevens)	Mar. 31	30,516	6,000	24,516	40,363	...	23,000	10	...	+ 1,516	30,856	24,856	10
Keith, Blackman Limited	Mar. 31	178,891	23,152	43,521	90,046	5,500	25,000	20	15,000	- 1,979	145,854	53,252	20
King (Geo. W.)	Mar. 31	83,249	...	15,813	26,666	...	12,500	12 1/2	...	+ 813	56,706	16,178	12 1/2
Lilley & Skinner	Jan. 16	57,104	...	49,404	80,357	16,736	16,562	10	2,500	+ 6,106	50,632	42,582	10
London Electric Wire	Dec. 31	100,379	...	99,329	209,563	30,000	51,305	7 1/2	...	+ 18,024	89,603	88,553	7 1/2
Lyons (J.) & Co.	Feb. 28	905,305	...	905,035	1,261,187	490,353	371,255	20	...	+ 43,697	896,500	896,500	20
Malikin Tiles (Edison)	Mar. 31	6,628	...	4,564	14,658	2,250	7 1/2	...	...	- 86	Dr. 928	Dr. 2,627	NH
Manchester Collieries	Dec. 31	329,825	38,484	101,285	207,742	44,026	53,095	2 1/2	...	+ 4,164	357,836	130,058	2 1/2
Marconi's Wireless Telegraph	Dec. 31	816,620	120,200	241,457	328,748	17,500	141,409	7	...	+ 82,548	773,022	232,452	7
Marcorf Wagons	Dec. 31	60,433	...	5,773	9,436	...	3,500	7 1/2	2,000	+ 273	58,102	7,720	7
Marston Valley Brick	Mar. 31	76,782	25,000	17,039	67,040	8,075	3	...	...	+ 3,964	120,944	30,974	6
Metal Agencies	Feb. 27	58,875	...	16,884	27,511	3,500	12,500	25	...	+ 884	52,390	14,320	25
National Star Brick, &c., Holdings. 4.	Mar. 31	869	...	Dr. 3,804	Dr. 4,292	...	...	...	...	- 3,804	7,891	Dr. 3,690	NH
New River Co.	Mar. 25	50,674	11	16,026	30,239	...	15,600	6	...	+ 426	50,101	15,448	6
Olympia Limited	Mar. 31	26,725	...	Dr. 11,122	16,507	...	...	...	...	- 11,122	25,974	Dr. 11,546	NH
Porrits & Spencer	Mar. 31	80,710	14,093	66,317	89,549	11,306	45,265	12 1/2	10,000	- 254	91,753	76,259	12 1/2
Rajawalla Produce	June 30	80,791	...	16,241	24,884	8,100	8,161	6	...	- 20	55,487	18,127	6
Rails (Saultre)	Mar. 31	270,626	30,000	121,015	152,948	102,000	15,000	25	...	+ 4,015	259,944	117,785	25
Seamless Pipes	Dec. 31	303,228	11,000	18,308	33,345	...	6,048	7 1/2	12,000	+ 260	263,177	16,424	7 1/2
Selangor Oil Pipes Co.	Dec. 31	636	...	258	3,098	...	...	...	...	+ 258	19,172	4,539	24
Simms Motor Units	Dec. 31	111,992	...	7,268	26,316	3,750	4,063	10	...	- 545	72,819	11,786	8
Smithfield Animal Products	Dec. 31	749	...	Dr. 1,918	5,256	...	...	...	...	- 1,918	15,876	11,600	16
Southdown Motor Services	Mar. 31	798,437	104,019	78,582	104,764	...	75,000	10	...	+ 3,582	729,242	58,778	10
South Eastern Gas Corporation	Mar. 31	274,467	...	19,216	262,804	87,755	101,148	4	...	+ 4,313	263,670	187,412	4
S.S. Cars Limited	July 31	101,819	13,690	47,605	63,530	16,250	12,000	10	5,000	- 28	75,580	Dr. 1,144	NH
Thames Port Aggregates	Sept. 30	22,954	...	19,702	32,788	5,625	9,375	12 1/2	...	- 298	72,604	Dr. 61,800	NH
Tinsley Park Colliery	Mar. 31	78,247	12,894	Dr. 70,687	Dr. 110,689	...	...	...	...	- 70,687	61,577	46,577	7
Tweedgar Iron & Coal	Mar. 31	61,145	15,000	46,145	123,059	...	34,622	4	50,000	- 38,477	61,577	46,577	4
Tunnel Portland Cement	Dec. 31	403,000	63,692	139,308	300,859	18,000	91,583	20	...	+ 29,725	493,324	129,128	20
Tweedales & Smalley	April 30	102,943	...	87,943	144,416	...	78,750</						

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

West End Branch:

28, CHARLES II STREET, HAYMARKET, S.W.1Manchester Branch: **52, MOSLEY STREET**New York Agency: **65, BROADWAY, NEW YORK CITY**

THE UNION BANK OF AUSTRALIA

ESTABLISHED 1837.

LIMITED

Capital Authorised and Issued ... £12,000,000

Paid-up Capital ... £4,000,000

Reserve Liability of Proprietors ... £8,000,000

£12,000,000

(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.3West 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 ... 2,500,000

Currency Reserve ... 2,000,000

Reserve Liability of Proprietors under the Charter ... 4,500,000

£13,500,000

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.

Manager: G. C. COWAN.

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. Deposits received at interest for fixed periods on terms which may be ascertained on application.

REFUGE ASSURANCE COMPANY LTD.

Chief Office: OXFORD STREET, MANCHESTER, 1

ANNUAL INCOME EXCEEDS - £14,000,000

ASSETS EXCEED - £81,000,000

CLAIMS PAID EXCEED - £147,000,000

(1942 Accounts.)

DUTTON ONE - WEEK SHORTHAND is learnt in twelve 2-hour postal lessons. Send 3d. in stamps for first lesson to E.C., 92, Gt. Russell Street, London, W.C.1.

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 ... £2,257,341

DEPOSITS & CREDIT BALANCES

as at 27th Feb., 1943 ... £60,829,643

Head Office: THE MOUND, EDINBURGH

Over 200 Branches and Sub-Branches throughout Scotland.

London Offices:

CITY OFFICE, 30 BISHOPSGATE, E.C.

PICCADILLY CIRCUS BRANCH, 16/18 PICCADILLY, W.

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 ... 1,770,000

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 with Australia.

J. A. CLEZY, London Manager and Secretary.

NATIONAL BANK OF EGYPT

Incorporated in Egypt

Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1, Cairo

FULLY PAID CAPITAL - - £3,000,000

RESERVE FUND - - £3,000,000

London Agency:

6 & 7 King William Street, E.C.4

Branches in all the Principal Towns in EGYPT and the SUDAN

THE BANK OF NOVA SCOTIA

(Incorporated in Canada with Limited Liability)

Established 1832.

General Office: Toronto, Canada.

Paid Up Capital ... £12,000,000

Reserve Fund ... £24,000,000

Total Assets over ... \$400,000,000

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

Address enquiries to

London Branch:

108 OLD BROAD STREET, E.C.2.

E. C. MACLEOD, Manager.

TERMS OF SUBSCRIPTION TO THE ECONOMIST

12 Months - - - £ 3 0 0

6 Months - - - 1 10 0

(Cheques to be made payable to The Economist Newspaper Ltd.)

Publishing Office:

Brettenham House, Lancaster Place, London, W.C.2

Telephone No.: Temple Bar 3316

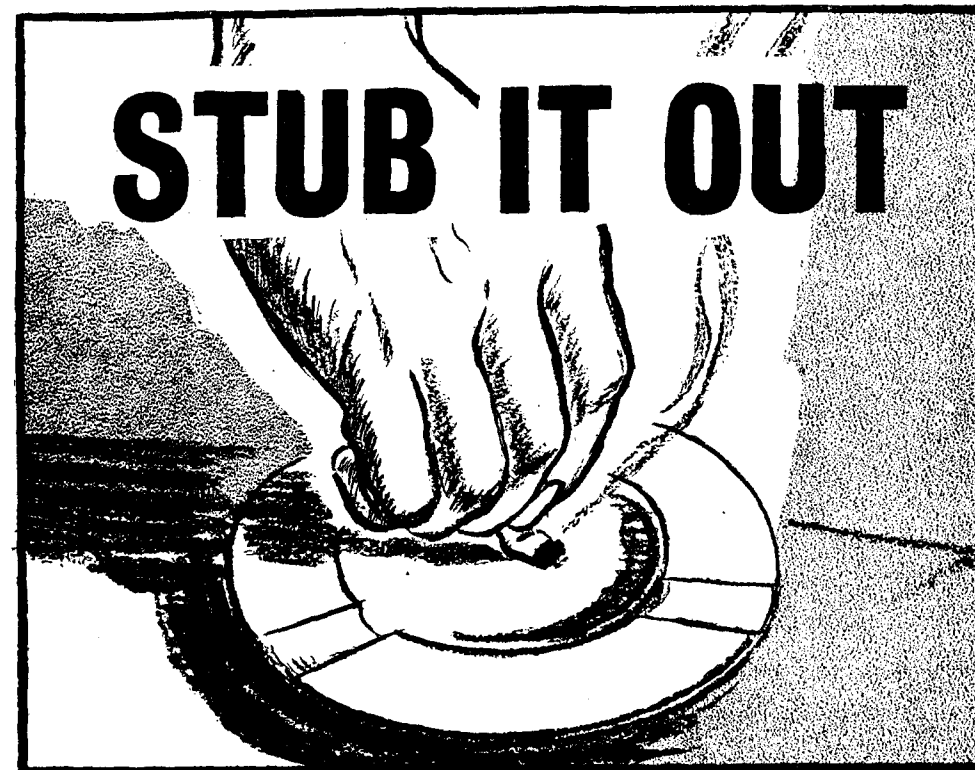
THE ECONOMIST

COMMERCIAL HISTORY OF 1942

Vol. CXLIV

MARCH 13, 1943

No. 5194



**FIRE DAMAGE CAUSED BY 1,000 FIRES A DAY
HAMPERS WAR EFFORT**

*Half the fires in the country are caused
by matches and cigarette ends*

*Most fires are caused
by 'careful' people*

Don't just be careful—take EXTRA care

ISSUED AS PART OF THE FIRE OFFICES' COMMITTEE CAMPAIGN AGAINST FIRE WASTAGE

Land Army and prisoners of war. The numbers of the Women's Land Army employed full time in agriculture rose to 53,000 in England and Wales. For 1943, a considerable increase in the area under wheat has been demanded, to attain which another half-million acres of grassland must be ploughed.

Manpower and Labour Conditions

No new principles affecting manpower policy were introduced during 1942, but the year saw increasing stringency in the application of existing regulations, the extension of the Minister of Labour's powers of direction and the introduction of measures designed to accelerate the call-up procedure and to reach hitherto untapped sources of manpower. Towards the end of the year, it was announced that about 18 million men and women had been registered under the National Service Acts and Registration for Employment Order, and that out of 33½ million people between 14 and 65, some 23½ million were engaged on full time work of national importance. The Royal Proclamations of March 5th and October 22nd provided for the calling up of men between 18 and 46, and of women between 20 and 31. By the Registration of Boys and Girls Order, the 16-18 year-olds were registered, interviewed and encouraged to join recognised youth organisations. At the beginning of the year the system of occupational block reservations was replaced by individual deferments, and the age of reserva-

tion was raised by one year each month. The chief drive, however, was in the direction of recruiting women in order to release men for the fighting services. The Employment of Women (Control of Engagement) Order was applied in February to women between 18 and 30. Many measures were taken to promote part-time employment, but their success was rather limited; some 250,000 women were working part time, but an increase to a million or more was hoped for. By the end of October some 7 million women, of whom 2½ million were married and 1½ million subject to the National Service Acts, were occupied in the armed Forces or industry. The extent to which women are engaged in industry can be seen from two examples: women represented 13½ per cent of the labour force in industries covered by the Iron and Steel Control, as compared with 3-4 per cent before the war, and 60 per cent of the total labour force of Royal Ordnance factories.

By the end of the year, it became clear that the most important problem was how to achieve maximum efficiency and productivity from the existing labour force, since little fresh intake could be looked for. Some improvements were effected in the provision of training facilities both inside the factories and in special training centres, but there was often considerable delay in "upgrading" women. Increasing recognition was paid during the year to the need for developing welfare both inside and outside the factory. There was a substantial extension in industrial canteens, pithead canteens and British restaurants—by the end of the year there were 7,500 industrial canteens and 1,900 British restaurants in operation—and in order to encourage the recruitment of married women the number of wartime nurseries was increased, and by December was well over 1,000. Increasing attention was also paid to health and safety, though much remained to be done in improving working conditions, billeting arrangements and transport facilities for war workers.

By the end of the year, 54,000 factories, employing 7½ million men and women, were scheduled under the Essential Work Orders; proceedings against workers for absenteeism amounted to only one in 30,000.

The most important development in industrial relations during 1942 was the establishment of Joint Production Committees in the engineering and allied industries and in coalmining. By December there were 2,000 such committees in engineering works, covering nearly two million workers.

During the year substantial claims for wage increases were put forward by nearly every branch of industry. The accompanying tables show the course of wages and the cost of living, and also the progressive decline in unemployment and the slight increase in trade disputes.

Commodity Prices

THE general trend of costs and prices continued upwards in 1942, but the rate of advance was small, a reflection of the effectiveness of price control. Wage rates showed a further rise, but a large part of the rise in actual weekly earnings was due to increased productivity.

Apart from the increase in coal prices, the upward movement in the prices of basic materials was comparatively small. Where the pressure of demand necessitated the utilisation of high-cost capacity, control ensured that average prices were not determined by marginal costs. The *Economist* index of wholesale prices, reflecting the course of the prices of primary and semi-manufactured products, rose only slightly, from 108.5 (1927 = 100) at the end of 1941 to 112.7 at the end of 1942. (Details of the index are given on page 27.)

There is no satisfactory index showing the movement of the prices of manufactured goods, distinguishing between civilian and war supplies. But in both spheres price control has become more efficient. The standardisation of consumers' goods has facilitated price control.

The Ministry of Labour's cost of living index has remained almost unchanged throughout the year; advances in some directions have been offset by reduction in others. But stability has only been achieved by some increase in subsidies.

Outside the range of controlled prices—those now comprise practically all essentials—upward movements have been substantial, especially in luxury articles. On the whole, however, the Government has so far been fairly successful in putting on the brake. It must be remembered, however, that 25 years ago the major upward surge in prices took place after the war.

Finance and Investment

The Stock Exchanges

As far as equities are concerned, 1942 was almost a repetition of the previous year. But whereas in 1941 the markets had taken their lead from the funds, which, supported by the proceeds of periodic vestings, steadily improved, the rôles were last year reversed. The reasons were twofold, the considerably reduced disbursements on vesting operations and the extremely low yields obtained on fixed interest

New Capital Issues

In 1942, for the first time since the outbreak of war, there was a check to the expansion of new capital issues. The first two tables below, in the first case excluding and in the second case including, issues by "permission to deal," show that official borrowing, apart from floating debt and

TOTAL BORROWINGS BY OFFERS TO PUBLIC AND TO SHAREHOLDERS ONLY (Million £)

Calendar Years	British				Empire	Foreign	Total Issues	Index 1928=100
	Government	Home Corporations*	Others	Total Home				
1928	83.9	14.9	164.8	263.6	63.2	42.3	369.1	100
1934	44.1	36.1	57.5	137.7	29.9	1.5	169.1	46
1935	88.0	51.1	81.6	220.7	15.2	0.2	236.1	64
1936	60.2	79.5	90.6	230.3	24.8	0.7	255.8	69
1937	95.8	43.7	84.7	224.2	21.1	6.3	251.6	68
1938	75.9	24.9	62.2	163.0	24.3	2.8	180.1	49
1939	36.8	12.1	26.7	75.6	15.8	0.3	91.7	25
1940	1070.8	Nil	1.4	1072.2	0.2	Nil	1072.4	293
1941	1497.5	Nil	0.4	1497.9	2.9	Nil	1500.8	406
1942	1457.1	Nil	0.3	1457.4	0.4	Nil	1457.8	398

* Including County and Public Board Loans.

tax certificates, declined from £1,497.5 millions to £1,457.1 millions. On the wider basis, the total of all issues declined from £1,509.8 to £1,467.2 millions; on the narrower basis the index, 1928 = 100, is down from 406 to 398. The growth in official control of the new issue market, which has been a feature of development since the outbreak of war, is, however, accentuated.

TOTAL BORROWING, INCLUDING STOCK EXCHANGE "Permission to Deal" (Million £)

Calendar Years	British				Empire	Foreign	Total Issues
	Government	Home Corporations*	Others	Total Home			
1938	75.9	27.7	110.1	213.7	53.7	5.7	273.1
1939	36.8	12.1	66.2	115.1	25.5	2.2	142.8
1940	1,070.8	Nil	15.5	1,086.3	1.3	Nil	1,088.7
1941	1,497.5	Nil	8.0	1,505.5	4.2	0.1	1,509.8
1942	1,457.1	Nil	9.2	1,466.3	0.8	0.1	1,467.2

* Including County and Public Board Loans.

The total of non-official issues shows a relatively steeper decline than that of Government issues from £12.3 millions to £10.1 millions. The apparent decline is much more than offset by net issues of tax certificates so far as official loans are concerned, while the need of the Treasury to borrow was reduced by ability to draw on the gift from the Government of Canada of some £225 millions. There is no reason to conclude that the upper limit of Government borrowing has been reached. It is too early to conclude that the entire productive capacity of the nation is working to the limit,

CONVERSION ISSUES (Million £)

	1937	1938	1939	1940	1941	1942
British Govt.	Nil	Nil	Nil	352.8	Nil	Nil
Other	58.5	23.6	26.0	Nil	54.4	47.8
Total	58.5	23.6	26.0	352.8	54.4	47.8

but, even if this were the case, the absence of rigid control of the price level would promote a continued rise in the total of official new issues. There is likely to be a further rise to a new war-time high level this year.

UNEMPLOYMENT AND TRADE DISPUTES IN GREAT BRITAIN

	Registered Unemployed		Trade Disputes*	
	1941	1942 (a)	1941	1942
January	000's	000's	000's	000's
February	695	194	24	59
March	581	188	23	28
April	458	136	285	43
May	411	127	187	63
June	369	118	74	306
July	302	106	69	42
August	279	107	25	37
September	270	114	44	37
October	231	104	93	53
November	216	101	96	337
December	199	95	72	93
	188	87	37	90
Average	350	123	90	125

(a) From March, 1942, figures are exclusive of men classified as unsuitable for ordinary industrial employment, and women unsuitable for normal full-time employment.

* Number of working days lost.

WAGES AND COST OF LIVING

	Wages (a)		Cost of Living (b)	
	1941	1942	1941	1942
January	123	132½	196	200
February	125½	133½	197	200
March	125½	133½	197	200
April	126	134	198	199
May	126	134	200	200
June	127½	137½	200	199
July	128	138	199	200
August	128½	138	199	201
September	128½	138	199	200
October	128½	138	199	200
November	129	138½	200	200
December	132½	138½	201	200
Average	127	136	199	200

(a) Index (1924=100) compiled by Prof. Bowley, eliminating seasonal fluctuation.
(b) Ministry of Labour Index for 1st of month (July 1, 1914=100).

FULL EMPLOYMENT

A series of articles and letters in *The Economist* on the ways and means of securing Full Employment after the war have been reprinted as a pamphlet. Copies are still available (price 6d.); and applications should be made to The Economist, Brettenham House, Lancaster Place, London, W.C.2. (Tel. Temple Bar 3316.)

Industrial Profits

FOR the fourth successive year the net profits after debenture interest, as published by companies during the year, have fallen. The figures show a smaller decline than in other recent years, except that for 1940, but as the figures are not strictly comparable, it is doubtful whether any real significance can be attached to this fact. Actually gross profits before tax are tending towards stability. Movements over the past decade are shown below:

COMPANY REPORTS PUBLISHED IN CALENDAR YEARS 1932-42

	No. of Companies	Net Profits*		"Chain" Index, 1928=100
		Current Year's Reports	Same Companies, Preceding Year	
		£ Mn.	£ Mn.	
1932.....	1,998	143.3	175.0	63.1
1933.....	1,945	141.4	140.8	63.4
1934.....	1,975	168.8	144.8	73.9
1935.....	2,116	203.2	175.5	85.7
1936.....	2,186	239.1	212.2	96.5
1937.....	2,279	281.4	240.3	115.2
1938.....	2,389	302.7	284.4	129.7
1939.....	2,342	267.5	291.4	110.8
1940†.....	2,260	208.1	216.3	106.6
1941†.....	2,041	175.6	198.6	94.3
1942†.....	2,002	168.7	176.7	90.0

* After Debenture Interest.

† 1940, 1941 and 1942 figures are not strictly comparable with previous years.

The different quarters of the year continue to show considerably different results on this basis, but the relatively favourable movement of the third quarter is largely a reflection of the unduly heavy declines of the two preceding years.

QUARTERLY CHANGES IN PROFITS* 1932-42

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year	No. of Cos.	Profits Change on Prev. Year
1932	548	-14.3	675	-21.8	303	-28.6	472	-2.9
1933	562	-8.9	612	+3.5	307	-5.5	464	+30.3
1934	547	+5.3	642	+18.2	318	+27.7	468	+32.9
1935	592	+14.6	694	+17.8	345	+12.2	486	+16.9
1936	569	+13.3	739	+10.6	382	+14.3	496	+15.2
1937	628	+11.9	765	+19.9	337	+19.2	549	+20.2
1938	646	+10.5	805	+12.9	374	-1.4	564	-4.4
1939	656	-9.0	793	-8.2	345	-7.9	548	-7.1
1940†	552	-4.1	722	+5.0	428	-16.8	558	-3.7
1941†	439	-9.0	497	-12.5	498	-17.5	607	-7.5
1942†	426	-10.5	426	-4.1	480	+0.2	569	-4.0

* After Debenture Interest.

† 1940, 1941 and 1942 figures are not strictly comparable with previous years.

DIVISION OF PROFITS (FOURTH QUARTER COMPANIES)

Reports Issued during Fourth Quarter	Proportion of Profits (after Deb. Interest)			Rate of Payment on each Class of Capital			
	Paid in Pref. Div.	Paid in Ord. Div.	Put to Reserve or Carried Forward	Debenture	Preference	Earned for Ordinary	Paid on Ordinary
1932	32.4	75.4	Dr. 7.8	5.16	3.6	4.4	4.9
1933	23.4	64.3	12.3	5.04	3.2	6.2	5.2
1934	19.6	59.9	20.5	4.95	3.7	9.9	6.8
1935	19.0	55.2	25.8	4.84	4.5	11.6	7.9
1936	17.5	53.5	29.0	4.75	4.9	14.2	9.2
1937	15.7	51.6	32.7	4.59	6.4	18.2	11.2
1938	13.9	48.8	37.3	4.47	5.0	18.7	10.6
1939	16.0	46.1	37.9	4.47	4.8	14.9	8.2
1940*	23.6	61.4	15.0	4.80	5.8	12.1	9.8
1941*	29.5	54.1	16.4	4.60	6.4	10.9	8.4
1942*	25.6	50.0	24.4	4.90	6.4	14.1	9.4
1942†	20.9	56.8	22.3	4.70	6.2	13.9	10.0

* 1940, 1941 and 1942 figures are not strictly comparable with previous years.

† Whole year. New basis.

The figures for the final quarter of 1942 are based on the new gross profits. As these contain the tax on reserves, excluded from earlier calculations, the proportion of the total going into this section and the yield on ordinary shares are increased, and the proportions going to the payment of preference and ordinary dividends, but not the payment on the latter, are correspondingly reduced.

The Money Market

WITHIN the framework of a steadily expanding structure of bank credit the position in the money market remained exceptionally stable during 1942. The average rate for Treasury bills was about 1-32 per cent over 1 per cent, and the weekly rate only fell fractionally below 1 per cent when special applications by official quarters had to be satisfied irrespective of the rate at which the bills were issued. The authorities kept a light rein on the short loan market, and if ever serious shortage of credit developed as a result of the temporary disequilibrium between Government receipts and payments, the position could always be adjusted by the appropriate open market operations. The whole year passed without any necessity for the discount market to seek assistance from the Bank of England at the customary official rates. Whenever assistance was needed, it was given through open market operations on open market terms. The volume of bills and bonds carried by the market was probably greater last year than it was in 1941, though the short loans of the clearing banks showed little change on the figures for 1941, the averages being £133 million for 1942 and £134 million for 1941. The year-end balance sheets of the discount companies, however, all showed a much higher ratio between these companies' capital resources and the bills and investments they were carrying at the end of the year. From the point of view of the banks, bills yielded further to Treasury Deposit Receipts as the channel for employing funds that must be held liquid. The bill holding rose from £171 million at the end of the year to £108 million at the end of 1942. These TDR's were extensively used by the banks as a means for meeting sudden and large calls made on their funds by subscriptions to the tap loans of the Government. The special facility by which TDR's can be encashed before maturity and without penalty in order to finance such subscriptions was found most useful in preserving the even keel of credit conditions throughout the year.

Foreign Exchanges

THE mechanism of the sterling exchange control had been brought to a pitch of considerable efficiency by the close of 1941 and the year 1942 saw no important amendments introduced. The list of official rates of exchange remained unchanged over the whole year. The only important change in exchange relationship introduced during the year was the fixing of a rate between dollars and sterling on the one hand and North African francs on the other. The first rates chosen immediately after the Allied invasion of North Africa was 300 francs to the £. Following representations and complaints, this was subsequently altered to 200 francs to the £—and correspondingly, from 75 francs to 50 francs to the dollar. The rate fixed for the Italian territories of North Africa was 480 lire to the £. The occupation of North Africa led to the interesting precedent of an issue of sterling notes by the British Military Authority. These notes are legal tender only in the occupied territories for which they are intended and were issued to meet the immediate requirements of the military authorities.

Two additions were made last September to the list of "specified currencies," i.e., currencies which must be surrendered to the Treasury if held by any resident in this country. They were the Brazilian milreis and the Uruguayan peso. In each case the decision was an indication of a change in the balance of payments between these two respective countries and the sterling area. That balance moved in their favour and consequently created a need for their currencies which the Treasury had until then not felt. Soon after the end of the year arrangements were made to merge three types of sterling accounts held in this country by residents in the United States. They were, registered accounts, sterling area accounts and "old" or "free" accounts. They have all become registered accounts carrying the right of conversion of the sterling held in them into dollars at the official rate. The move involved the final disappearance of the free sterling market in New York.

The Bullion Market

THE gold market remained rigidly stable and almost lifeless throughout the year. The official price of gold was at 168s. per ounce during the whole of the year, with sovereigns at 39s. 3d. each. Business in gold was chiefly

confined to a few sales to the Bank of England, most of which were by order of the Custodian of Enemy Property and concerned gold which had been held for safekeeping in London since before the war. As from January, 1942, the Bank of England has been prepared to supply gold to the market through authorised dealers for certain specified industrial purposes. The volume of sales made under this head has been negligible.

The silver market in London remained completely isolated from the vagaries of the price of the metal in such centres as New York and Bombay. The level of prices was fixed by the readiness of the Bank of England to sell silver for recognised essential purposes at 23½d. per standard ounce. Only on rare occasions did the open market in London dip below this ceiling, and the year's range of prices for spot silver, namely 23½d. to 237-16d., was the smallest ever recorded in the history of the London silver market. The feature of the silver position in the

United States was the enlistment of the metal in the ranks of war workers. Treasury silver has been made available to US industry and it has been promised to the United Nations on Lend-Lease terms. On August 24th the price of imported silver was raised from 35c. to 45c. an ounce, partly as a gesture of help to Mexico, but also to accelerate the production of a metal which, owing to the shortage of tin, had acquired considerable strategic importance. In India the free market in Bombay has been left to its own devices since February 20, 1942, when the Reserve Bank ceased to supply silver at a fixed price. Owing to persistent hoarding demand the quotation rose from the figure of Rs.64 per 100 tolas, at which the Reserve Bank has been selling, to Rs.117 per 100 tolas. This was above the minting point of the old rupee coinage, which is Rs.109 per 100 tolas, and the quotation has since relapsed below this minting parity, hovering for the most part between that ceiling and Rs. 100 per 100 tolas.

Overseas Countries

United States

FOR the first time in history, war has become this country's principal business. This was never really the case during World War I. Even in the peak spending year, 1918-1919, the war costs represented only one-sixth of the current income. By contrast, defence spending in the calendar year 1942 totalled close on \$55 billions, or about 47 per cent of national income. In 1943 it is estimated that it will amount to \$90 billions, or two-thirds of the estimated national income, possibly rising to \$100 billions for the fiscal year ended June 30, 1944.

It is scarcely surprising that spending at such a prodigious rate should have tested to the limit the nation's resources in materials, men and productive power. That such was the case is abundantly clear from all the economic statistics, as well as from particular examples chosen more or less at random. Typical of the latter is the

case of the automobile industry. Production of civilian vehicles began to be curtailed during the latter part of 1941, but it was not until February, 1942, that the last passenger car rolled off the assembly line. Nevertheless, the motor industry was able to report at the close of the year that it had had far and away the biggest production year in its history. It turned out war equipment valued at \$6.6 billions. That is the equivalent of an output of 8.5 million passenger cars, or nearly 60 per cent more than were produced in 1929, the industry's greatest peacetime year.

Even more spectacular, if anything, was the performance of the country's shipbuilders, who, side by side with an unprecedented naval building programme, were able to produce 8 million tons d.w. of merchant shipping (and who propose to double that in 1943). This compares with a previous record of 1.85 million tons in 1918. The performance has been made possible by two factors: first, the

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

Incorporated by Royal Charter 1853

CAPITAL (PAID UP) £3,000,000 RESERVE FUND £3,000,000
OVER 40 AGENCIES & BRANCHES THROUGHOUT INDIA & THE EAST.

The Bank offers a complete Overseas 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.

AFFILIATED BANK IN INDIA:
THE ALLAHABAD BANK LTD., WITH 15 BRANCHES AND 30 SUB-AGENCIES
LONDON OFFICE: 38, BISHOPSGATE, E.C.2.
WEST END BRANCH: 28, CHARLES II. STREET, HAYMARKET, S.W.1.
MANCHESTER BRANCH: 52, MOSLEY STREET
NEW YORK AGENCY: 65, BROADWAY, NEW YORK CITY

building of some 25 ship-ways for every one that was in existence four years ago; second, enormously improved production efficiency, which has reduced sensationally the time required for a ship's completion. In the course of a single year the average time required for building a "Liberty ship" has been brought down from 180 days to 56 days. The best time made in World War I for the same type of ship was 212 days.

The production index of the Federal Reserve Board, which had averaged 123 in 1940 and 156 in 1941, averaged 180 last year. The mark of 191, reached in November, represented a rise since September, 1939, of 77 per cent. The index of durable goods production was up in the same period by more than 150 per cent. Steel production rose to 86.1 million tons, against 52.8 millions for the last pre-war year; building contracts were at an all-time high of \$7,915 millions, compared with \$6,627 for the record peacetime year of 1928; power production was 45 per cent over the 1939 level; and factory pay-rolls showed a rise since the beginning of the war of nearly 150 per cent. Another index is being watched more closely, if anything, than that of the Federal Reserve Board. This is the index of munitions production recently prepared by the War Production Board. How rapidly the American war effort has expanded since 1940 is emphasised by the table below showing the course of that index:—

MUNITIONS PRODUCTION
(Nov. 1941-100)

	1940	1941	1942
January	...	41	163
February	...	45	178
March	...	52	101
April	...	60	238
May	...	57	269
June	...	59	300
July	23	64	331
August	22	72	357
September	22	83	370
October	27	91	382
November	34	100	...
December	50	133	...

Labour.—In 1941, the unemployment of the 1930's finally disappeared. At the end of October, 1942, the National Industrial Conference Board placed the number of persons in uniform or gainfully employed in business, in the factory or on the farm at 59.5 millions, which would indicate "negative" unemployment of four millions. That is, four million persons were working who are not included in the normal reservoir of employables. The figures of Paul McNutt, Manpower Commissioner, are somewhat lower than this, but he indicates that, by the time the armed forces reach their maximum strength of close on 10 millions at the end of the present year, the total number of persons fighting and gainfully employed will be in the neighbourhood of 65 millions. This would compare with 48 millions employed in the boom year 1929.

National Income.—The national income, whose peacetime high in 1929 was \$82.4 billions, soared to \$117 billions last year, and it is expected to reach \$135 billions in 1943. Wages and salaries accounted for 70 per cent of all income paid out, while interest and dividend payments, held down by wartime taxes, represented only 8 per cent of the total, against a pre-war 12 per cent. Corporation net income before taxes was 10 per cent higher than in 1941, but showed a decline after taxes of 33 per cent. It is estimated that taxes absorbed 72 per cent of corporate net income in 1942, which compares with a maximum of 45 per cent in 1918 during the last world war. The farmers had easily the best year in their history, cash income totalling \$15.6 billions, a full billion dollars more than that of the previous best year, 1919.

Prices.—The question of inflation has loomed as a major problem throughout the year. Wholesale commodity prices have behaved better than in World War I, when they rose 80 per cent in the first thirty-nine months; nevertheless, they had recorded an extreme rise by the end of 1942 of 33 per cent. Farm and food prices, which rose by 81 per cent and 55 per cent respectively since August, 1939, were the main factors in the advance. The price control machinery was tightened under the general price ceiling regulations of May and the stabilisation decree of October, but the pressure on prices is becoming more severe.

Canada

DURING 1942, Canadian industrial activity moved beyond the stage of construction of productive facilities into the stage of peak production, which was expected to reach a

maximum volume early in 1943. The programme of expansion has added \$1,000 million in value to Canadian productive capacity. The construction in the Saguenay region of a hydro-electric power station and dam, which is among the world's largest, has been disclosed. Producing 1,020,000 horsepower, it will be a permanent addition to national capacity. Steel capacity was expanded to an annual rate of 2,900,000 long tons, compared with 2,412,000 tons in 1941 and a pre-war capacity of 1,400,000 tons.

War Production and Trade.—In producing export surpluses of munitions and war equipment, Canada occupied third place, after the United States and the United Kingdom. Thirty per cent of Canadian war production was retained for Canada's armed forces, the remainder going to the United Nations. Distribution has been through two main channels, shipments financed by Canada under the \$1,000 million gift account from which allocations were made by the United Kingdom Government and United States contracts amounting to \$900 million. Canadian industrial war production reached \$2,500 million in value, and in addition the production of raw materials and food-stuffs for allied countries reached \$800 million. One half of Canada's production was devoted to war purposes, with 55 per cent of all industrial machinery engaged on war production. Exports in 1942 were valued at \$2,385 million compared with \$1,641 million in 1941. This total includes heavy shipments of supplies to the theatres of war.

Agriculture.—The Dominion Bureau of Statistics estimated the value of field crops in 1942 at \$1,180,131,000, which is \$500 million higher than in 1941 and the highest figure for more than 20 years. The wheat crop alone was worth 73 per cent more in 1942 than in 1941; its volume was 615 million bushels, exceeding the previous record wheat harvest of 566,700,000 bushels in 1928. Total farm income in 1942 reached an estimated \$1,800 million.

A year-end review of farm production showed that output had been attained in excess of previous records in commodities of special war importance:—

Beef cattle	1,111,372 head
Calves	739,231 "
Hogs	6,251,000 "
Sheep and lambs	809,934 "
Chickens	193,288,000 doz.
Eggs	266,500,000 lb.
Factory cheese	200,000,000 "
Creamery butter	281,000,000 "
Evaporated milk	182,000,000 "
Condensed milk	24,210,000 "
Powdered milk	11,500,000 "

Finance.—The Canadian national income rose in 1942 to an annual rate of \$8,000,000,000, of which 50 per cent was derived from wages, 22 per cent from farm income, 10 per cent from investments and the remainder from salaries and sundry sources. The problem of financing Federal Government expenditures of \$3,900 million, provided in the Budget of 1942-43, has been intensified by the fact that war requirements have substantially exceeded the estimate, and total expenditures are expected to reach \$4,500 million, with tax revenues \$2,225 million. Including the Third Victory Loan, which yielded \$992 million, the total issue of Dominion Government securities of all kinds, including refunding but exclusive of Treasury Bill financing in the 12 months to October 31st, was \$3,150 million. This total included \$645 million of the new $\frac{1}{2}$ per cent deposit certificates sold to the chartered banks from July to October. Of these, \$205 million had been redeemed in November.

A report at October 31, 1942, on the chartered banks of Canada showed:—

(Millions of Dollars)		Compared with previous year
Loans	3,102.4	-168.1
Investments	2,378.9	+736.0
Deposits—Demand	1,609.1	+473.5
Savings	1,708.7	+117.0
Total Deposits	3,317.8	+590.5
Foreign deposits	528.3	+68.2

Price Control.—More stringent and direct controls over civilian consumption and supplies have been elaborated during 1942. Consumer rationing became necessary, though rationing at the manufacturing level had been in operation previously. The second year of the price ceiling began on December 1st, and, by then, coupon rationing had been applied to sugar, tea, coffee and gasoline, the latter by the Oil Controller of the Department of Munitions and Supply. The Wartime Prices and Trade Board's programme of

simplification and standardisation, designed to reduce costs in order to reduce subsidies, was greatly extended. The use of metals, for instance, was prohibited in the manufacture of 600 miscellaneous articles. A turning point in price control was reached in December, 1942, when the Minister of Finance announced that direct subsidies would be paid on food items, starting with milk, oranges, tea and coffee, in order to reduce the cost of living.

Manpower.—Shortages of labour began to replace shortages of materials as the critical factor in Canadian production during 1942. The Bank of Canada estimated that the number of workers directly employed in war industry had exceeded 900,000 in September. The degree of mobilisation was revealed in the bank's estimate that the total number of employed persons, including those in agriculture and the armed forces, had reached 5,500,000 by September, or 48 per cent of the entire population. The Government's programme of selective service was launched in March, and the permit system of labour control was introduced. Initial difficulties arose in organising the machinery of Manpower control, and the employment office system of the Unemployment Insurance Commission was greatly enlarged.

Australia

Finance.—The expenditure of the Commonwealth Government in the financial year 1941-42 amounted to £A420.9 millions (including £A319.5 millions on the war), compared with the budget estimate, made in October, 1941, of a total annual expenditure of only £A325 millions. The Budget estimate for the financial year 1942-43 provides for an expenditure of £A549 millions (including £A440 millions war expenditure), of which £A300 millions are to be raised by borrowing (compared with £A210.9 millions in 1941-42). Deposits in Australian cheque-paying banks increased from £A444.1 millions in the third quarter of 1941 to £A490.6 millions in the third quarter of 1942; saving bank deposits rose from £A263.6 millions in October, 1941, to £A301.5 millions in October, 1942; subscriptions to war saving certificates amounted to £A19.9 millions in October, 1941, and to £A29.4 millions in October, 1942.

Employment and Industry.—Between 400,000 and 500,000 men and women were directed to war work during 1942. The unemployed percentage of the total number of workers fell, according to trade union statistics, from 3.2 per cent in the third quarter of 1941, to 1.6 per cent in the third quarter of 1942. It was then particularly low in the following trades: wood, furniture, etc. (0.9 per cent); engineering, metal works, etc. (1.1 per cent); clothing, etc. (0.6 per cent); books, printing, etc. (0.4 per cent). It was still comparatively high in the food, drink, tobacco, etc., industry (4.3 per cent), in the building industry (2.3 per cent), and in the mining, etc., industry (3.6 per cent). The

employment in Government ordnance factories rose from 74,600 to 113,100 between December, 1941, and September, 1942, while employment in other factories decreased from 612,300 to 593,700 in the same period; the latter figure includes only about 200,000 persons employed on strictly civilian work. Employment in retail shops decreased from 165,500 in December, 1941, to 137,000 in September, 1942. The average working week in the six State capitals was 43.77 hours in the first half of 1942, that is, slightly less than in the first half of 1941 (43.91 hours).

Trade.—Retail sales continued to rise until April or May, 1942; in the later months of the year the Government's austerity campaign and the growing exhaustion of stocks combined to reverse this trend. Retail sales in Sydney in the three months ended September, 1942, were 6 per cent smaller than in the corresponding period of 1941, in spite of a 9 per cent rise in the Australian retail price (cost of living) index over the same period; the Government, however, still regards this decrease as insufficient. Prominent among "austerity" measures taken in the summer and autumn of 1942 is the introduction of ration cards for tea (8 oz per five-weeks period); sugar (1 lb per week); and for clothing and footwear. The number of permits for new dwellings in Australian State capitals was only about 30 per month between July and October, 1942, compared with a monthly average of 1,486 in 1940-41. The Government initiated a large-scale programme for the manufacture of utility goods.

Transport.—Australian railway activities during the twelve months ended August, 1942 (with previous twelve-months' period in brackets) were as follows:—Freight carried per day, 17,114,000 (14,171,000) net ton miles; number of passenger journeys per day, 1,314,000 (1,153,000); net revenue per month, £A1,723,000 (£A1,055,000).

New Zealand

External Trade.—External trade figures for recent years compare as follows:—

Year Ended August 31st	EXTERNAL TRADE £ Millions			
	In New Zealand Currency		In Sterling	
	Exports	Imports	Exports	Imports
1938	60.24	56.36	48.20	45.07
1939	57.94	55.08	46.32	37.05
1940	67.82	47.00	54.26	43.38
1941	63.96	45.43	51.17	36.35
1942	80.84	52.04	64.67	41.63

The excess of exports for the year was £NZ28.80 millions, of which about £NZ 12 millions would normally be needed to meet the passive balance of invisible payments.

Under war conditions, both the nature and direction of trade are closely controlled. Exports are mainly of produce

GUINNESS, MAHON & Co.

MERCHANT BANKERS

ESTABLISHED 1836

53, CORNHILL, LONDON, E.C.3

GUINNESS & MAHON

17, COLLEGE GREEN, DUBLIN

GUINNESS, MAHON

EXECUTOR & TRUSTEE COMPANY, LTD.

53, CORNHILL, LONDON, E.C.3

covered by the war agreement with Britain, and imports are confined chiefly to the most essential goods. The latter now include more war materials and raw materials for local manufactures, which have expanded considerably in the last three years. The limiting factor of production, both for export and local consumption, appears now to be manpower, which constitutes a difficult problem despite extensions of working hours, overtime, and the calling up of many women for essential industries. Shortages of labour and petrol, normally imported, have almost eliminated unessential road transport, but rail transport has profited thereby and, owing partly to import difficulties and partly to war demand, manufactures are growing rapidly.

Banking and Finance.—The following figures show the chief changes in the bank returns during the year ended September, 1942:—

COMBINED BANK RETURNS

£ NZ Millions			
End of September	1941	1942	Increase
Liabilities:—			
Note circulation.....	17.70	22.59	4.89
Deposits.....	86.12	103.92	17.80
Totals.....	103.82	126.51	22.69
Assets:—			
Advances to Govt. and Govt securities.....	42.29	55.86	13.57
Other advances.....	47.81	42.40	-5.41
Net overseas funds.....	25.68	40.39	14.71
Totals.....	115.78	138.65	22.87

Over the year, bank money in the hands of the Government and public increased by £NZ22.69 millions. Government advances from the Reserve Bank and Government securities held by the trading banks increased by £NZ13.57 millions, while trading bank advances to customers declined by £NZ5.41 millions, so that the net expansion due to internal causes was £NZ8.16 millions. To this must be added a further £NZ14.71 millions which reflects the expansion of funds held overseas. At the end of September, the Reserve Bank's reserve ratio exceeded 50 per cent, the highest figure reached since 1938. Money has been very abundant and there is evidence of hoarding of notes. The Reserve Bank's discount rate has remained at 1½ per cent throughout the year, and the trading banks' minimum overdraft rate at 4 per cent.

For the financial year 1941-42 state receipts totalled £NZ116.3 millions, including £NZ68.14 millions from taxation, and £NZ36.37 millions of loan money, while expenditure amounted to £NZ112.39 millions, of which £NZ34.47 millions was for the Consolidated Fund, £NZ13.53 millions for the Social Security Account, £NZ11.95 millions (loan money only) for national development, and £NZ52.44 millions for war expenses. For the present year development expenditure from loan money is reduced to £NZ4.5 millions and social security expenditure increased to £NZ15.93 millions. Consolidated Fund expenditure is slightly lower at £NZ33.1 millions, while war expenditure is estimated at £NZ133 millions, making a total expenditure of £NZ186.5 millions.

During the year ended August, the retail price index rose by 4 per cent; the wage index, which records minimum award rates and not total earnings, by 4 per cent; the wholesale price index by 10 per cent; and the export price index by 1 per cent.

South Africa

Finance.—National expenditure increased enormously during the year 1942, and a further increase was forecast by Mr Hofmeyr in his recent Budget speech. Whereas the estimate in 1941-2 was £72 millions, it was £80 millions in 1942-3 and the total expenditure for 1943-4 is estimated at £100 millions, of which defence accounts for £96 millions. The bulk of the new expenditure will be met out of increased taxation, and the shareholders in gold mines have been asked to make a greater contribution. The public debt at the end of the year stood at £416 millions, of which the greatest part was held in South Africa. The note circulation increased by about £7 millions over the previous year, and by the end of the year amounted to nearly £37 millions. The table shows the estimates of revenue 1942-3.

Trade.—The year saw a further decline in overseas trade. Imports fell in value from £101 millions in 1941 to £84 millions in 1942. The curtailment of world markets and shipping difficulties resulted in a great falling off of exports. Perishable crops, such as deciduous and citrus fruit, could

not be exported; the wool clip sold under agreement with the British Government could not all be exported, and a considerable balance accumulated. To a minor extent the restriction in overseas markets was compensated by increased local demand, and the decline in exports of agricultural produce was offset by an increase in exports of minerals.

Agriculture and Industry.—Climatic conditions were unfavourable for agricultural production. The severe drought in the second half of 1941 adversely affected the wheat and maize crops in the North-East Cape Province and the Orange Free State, and also sugar production in Natal. Wool production, however, benefited from a 15 per cent increase in prices paid by the United Kingdom Government. To meet the situation of reduced production and increased demand, caused by the rise in general purchasing power, the system of controls was strengthened.

The war has provided a great stimulus to the development of secondary industrial production, and the Union has become a major supply depot and repair shop for the Middle East, in particular for ship repairing. There was also a great expansion in the iron and steel and engineering industries. The general index of employment in October, 1942, was 1911 (July, 1925=1000), compared with 1903 in October, 1941, and an average of 1780 in 1940.

Prices.—There was a steady increase in prices. The wholesale price index rose from 1398 in 1941 to 1611 in September, 1942 (1910=1000), while the retail price index rose from 1091 in September, 1941, to 1184 in September, 1942. In 1939 the index was 1146 and 993, for wholesale and retail prices, respectively.

ESTIMATES OF REVENUE 1942-43 ON EXISTING BASIS OF TAXATION.

	Estimate 1942-43	Revised Estimate 1941-42	Collections 1940-41
1. General Analysis:—			
(a) Customs and Excise.....	16,608,000	19,300,000	13,938,898
(b) Posts, Telegraphs and Telephones.....	7,485,000	7,110,000	6,245,464
(c) Inland Revenue.....	54,780,000	53,123,000	43,287,593
	78,873,000	79,533,000	63,471,955
2. Customs and Excise:—			
(a) Customs.....	9,620,000	12,450,000	9,522,563
(b) Excise.....	6,988,000	6,850,000	4,416,335
	Estimate 1942-43	Original Estimate 1941-42	Revised Estimate 1941-42
Main variations:—	9,620,000	10,085,000	12,450,000
Customs—total.....			
Excise:—			
Spirits.....	1,600,000	1,100,000	1,450,000
Beer.....	950,000	1,025,000	925,000
Tobacco and Cigarettes.....	3,550,000	3,400,000	3,500,000
Yeast.....	100,000	200,000	100,000
3. Posts, Telegraphs and Telephones:—			
Posts.....	3,200,000	2,715,000	3,055,000
Telegraphs.....	725,000	600,000	675,000
Telephones.....	3,200,000	2,820,000	3,020,000
Official Telegraphs and Telephones.....	360,000	270,000	360,000
4. Main variations in Inland Revenue:—			
Normal Tax—Gold Mines.....	13,430,000	15,115,000	14,431,000
Gold Mines—Special Contribution.....	6,533,000	7,020,000	6,730,000
Normal Income Tax (other than Mines).....	9,850,000	8,899,000	8,750,000
Super Tax.....	4,236,000	4,511,000	4,150,000
Diamond Mines—Special Contribution.....	104,000	35,000	44,000
Excess Profits Duty.....	7,500,000	3,450,000	6,500,000
New Motor Car Sales Tax.....	50,000	200,000	240,000
Stamp Duties and Fees.....	1,200,000	1,050,000	1,200,000
Death Duties.....	1,300,000	1,300,000	1,000,000
Forest Revenue.....	650,000	450,000	550,000
Departmental Receipts.....	1,586,000	1,208,000	1,410,000
Miscellaneous Receipts.....	1,273,000	817,000	1,250,000

Northern Ireland

UNEMPLOYMENT has declined from a total of 28,164 on December 8, 1941, to 20,450 on December 14, 1942. The decline has been principally among women and girl workers, of whom only 6,605 were recorded as out of work in December, 1942, compared with 16,337 a year earlier. There has thus been considerable progress during the year in absorbing into employment, mainly connected with the war, the considerable numbers of women unemployed as a result of the slackness in the linen industry due to shortage of raw materials. In the case of male workers, the position is not quite so satisfactory, and there has been a slight increase in the number of men and boys unemployed, from 11,827 in December, 1941, to 13,845 in December, 1942. This is probably principally due to the slackening in the volume of constructional work and the consequent discharge of numbers of unskilled labourers. In the second half of 1941, constructional work was proceeding at a high rate, but the programme of building for

air-raid shelters has now been largely completed. According to information given in the Northern Ireland Parliament, some 3,200 houses were destroyed in Belfast during the air raids which occurred in April and May, 1941, and more than 53,000 were damaged—3,962 of them badly. Considerable progress was made with repair work during 1942, and it is reported that about 41,000 damaged houses have now been made habitable.

Activity in the shipbuilding yards and the engineering trades generally has continued on a high level, almost exclusively on direct war work, for the volume of maintenance work in connection with the textile trades has been reduced to a minimum.

The principal peacetime industry in Northern Ireland was agriculture, and here the expansion of production has continued uninterrupted since the war started. In 1942 every landholder was required to have at least 40 per cent of his cultivable land—normally the area of crops and grass on his holding—under the plough. In 1943, this proportion will be increased to 45 per cent. The ploughing-up campaign in 1942 resulted in an increase of 5 per cent in the total area under crops, compared with 1941. Potatoes increased by 20 per cent, but there was a decline of an almost similar percentage in the area under flax, and to encourage production in 1943, a subsidy of £10 per acre has been announced for this year's crop. The cattle population increased by 5 per cent over 1941, but there was a fall of 22½ per cent in the number of pigs. There has been an increase in the milk supply in the western parts of the country, and a complete reorganisation of the arrangements for handling and marketing milk is being carried out. During the winter, a large shipment of milk has been organised from Northern Ireland to Scotland.

Eire

THE acreage tilled increased as a result of the compulsory tillage order. In June, 1942, the area under wheat had increased over that in 1941 by 111,533 acres, and the area under all corn crops by 232,719 acres; the area under root and green crops had decreased by 48,609 acres; the area under flax and fruit increased by 4,175 acres, and the area under pasture decreased by 157,922 acres. The number of live stock decreased; there were 7,129 less horses, 66,835 less cattle, 216,438 less sheep, and 244,988 less pigs, than in 1941. Agricultural prices rose, and the farming industry enjoyed prosperity. Urban industry continued to suffer from restricted supplies of imports of raw materials. Severe unemployment was avoided only by means of extensive emigration to Great Britain and Northern Ireland. In the twelve months ended November, 1942, imports amounted to £34,852,864, and exports to £34,497,803. As Eire is a strong creditor country on invisible account, the total balance of payments was very active, and considerable sterling balances accumulated. The monetary circulation in September, 1942, amounted to £27,684,903, compared with £22,090,709 in

1941. Bank deposits increased in the same period from £186,524,000 to £205,858,000. In the first nine months of the financial year (April-December, 1942), revenue amounted to £25,231,449, and expenditure to £29,399,597, compared with £23,424,230 and £28,492,665 respectively, in the corresponding period of last year.

India

Public Finance.—The Central Government budgeted for a deficit in 1942-43 twice as large as in 1941-42. The estimates, compared with the previous two years, are as follows:—

(In Crores of Rupees)

	1940-41	1941-42†	1942-43*
Revenue.....	107.65	129.62	152.00
Expenditure.....	114.16	146.89	187.07
Deficit.....	6.53	17.27	35.07

† Revised estimates.

* Budget estimates.

The decrease under Customs receipts has been more than offset by the large increases under railway contributions and income and corporation taxes. The defence expenditure has increased from Rs. 74 crores in 1940-41 to Rs. 102 crores in 1941-42 and Rs. 133 crores in 1942-43. The total expenditure on defence is vastly more than this, and the amount recoverable during the current year from the British Government under the financial settlement exceeds Rs. 400 crores. By January 5, 1943, with the complete repatriation of India's sterling debt, the sterling interest liability is substantially reduced.

Currency.—The increase in the note circulation reached unprecedented levels during 1942, responding to the monetary demand coming from rapidly expanding production and large defence expenditure. The total notes in circulation increased from Rs. 258 crores to Rs. 410 crores at the end of 1941-42. On December 18, 1942, the notes in circulation reached a record figure of Rs. 563 crores, an increase of 37 per cent in seven months. The pre-war figure was Rs. 179 crores. The sterling securities in the Issue Department of the Reserve Bank of India, in spite of the reduction due to the repayment of the sterling debt, amounted to Rs. 393 crores on the same date.

Prices.—The trend of prices caused more concern than any other single factor during 1942. The Calcutta wholesale prices index number (August, 1939=100) showed in 1941 an increase from 121 to 154. During 1942 the index moved up from 155 to 227. The actual rise was even greater in the case of certain articles of food. The situation was aggravated by transport difficulties and the failure of price control. So critical did the conditions created by high prices and black markets appear, that the problem of the cost of living threatened to overshadow the war itself. The abnormal increase in purchasing power and the absence of any determined attempt to mop it up resulted in highly inflationary tendencies.

BARCLAYS BANK

(DOMINION, COLONIAL AND OVERSEAS)

Over 500 Branches in
THE UNION OF SOUTH AFRICA
SOUTH WEST AFRICA . PORTUGUESE EAST AFRICA
MAURITIUS . NORTHERN & SOUTHERN RHODESIA . NYASALAND
TANGANYIKA . KENYA . UGANDA . ETHIOPIA . ERITREA
SUDAN . EGYPT . PALESTINE . CYPRUS . MALTA . GIBRALTAR
BRITISH WEST AFRICA . BRITISH GUIANA
BRITISH WEST INDIES . NEW YORK (Agency)
LONDON . MANCHESTER . LIVERPOOL

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

BARCLAYS BANK (CANADA) - - - - - Montreal and Toronto

Industries.—The increased industrial activity continued during the first quarter of 1942. The slight decrease in the second quarter was followed by a decline of 13 points in the third, as shown by the indices of industrial activity. The Roger Mission projects were advanced with the arrival of plant and machinery from abroad. That many industries are working to capacity is shown by the tightness of key materials such as steel, chemicals, etc. The new orders placed up to October, 1942, on war account through the Purchases Department alone amounted to Rs. 400 crores, of which Rs. 137 crores took place during April to October, 1942.

Agriculture.—On the whole, agriculture escaped severe strain during 1942. Money crops, such as jute, cotton and oilseeds, have, in view of limited markets and the lack of shipping, tended to become less important. The problem of food supply is becoming urgent, and the attempt to make good the deficiency may cause a more radical readjustment.

Foreign Trade.—During 1941-42 imports of merchandise totalled Rs. 173 crores, compared with Rs. 157 crores in the previous year. Exports from India, including re-exports, amounted to Rs. 253 crores, against Rs. 199 crores in 1940-41. The year closed with a favourable balance of Rs. 79 crores, against Rs. 42 crores in 1940-41. Manufactured articles constituted the largest item in both imports (54 per cent) and exports (46 per cent). The half-yearly figures of seaborne trade for April-September, 1942, indicate a considerable reduction in imports from Rs. 102 crores to Rs. 57 crores, principally affecting manufactures. The value of exports has fallen from Rs. 113 crores to Rs. 97 crores, the decrease being mainly accounted for by raw materials.

Banking.—Deposits recovered in March, 1942, after the large withdrawals in January. Later, a pronounced increase in demand liabilities accompanied a decrease in advances and bills discounted. Compared with the end of 1941, demand liabilities rose by Rs. 130 crores to Rs. 343 crores on December 11, 1942. Investment in gilt-edged displaced advances, and money conditions were easier throughout.

The Soviet Union

Industry.—The year was as eventful and exceptional in the economic sphere as it was in the military field. The beginning saw most of Russia's industries in the Ukraine and Western Russia evacuated to the East. The main reception areas were: the Volga regions, the Urals and Western Siberia. Evacuation was only the first step towards putting those industries back to work. The most difficult task was to reassemble the plants; to find accommodation for machines and workers; to secure the supply of raw materials, etc. The first months of 1942 brought a temporary decline in actual war output. Not until late in the spring did many of the evacuated factories resume work; the process of re-establishment was more or less finally achieved only in the summer.

Industry was also confronted with all the difficulties due to the loss of important sources of raw materials and fuel and to the shortage of labour. More than half of Russia's iron ore and coal was gone. The Moscow coal region was recaptured during the winter offensive in 1941-42, but its share in Russia's total coal output was only about 6-7 per cent; the pits were damaged, and their restoration took about six months. In the second half of the summer a new German advance deprived the Russians of the Donetz basin.

Most of the difficulties were overcome by very energetic and drastic measures. Millions of skilled and semi-skilled industrial workers were evacuated to the East, together with factories and plants. Masses of new workers were drafted from Siberia and the Urals. Women and children were hurriedly trained for industrial jobs on a mass scale, and towards the end of 1942 press reports mentioned foremen in factories aged fifteen. The shortage of iron ore and coal was remedied by placing all the available resources at the disposal of the war industries and by expansion of output in the Urals and in Asia. The iron ore output of the Urals may have reached some 14 million tons, and the coal output of the Kuznetsk and Karaganda basins was also considerably stepped up, in spite of recurrent acute crises in production.

The Urals, previously predominantly a raw material base, was turned into an important centre of metal manufactures; metal working and engineering accounted for 70 per cent of its output compared with only 40 per cent a year before. The industrialisation of Western Siberia is illustrated by

the fact that the share of industrial output in the economy of Kazakhstan rose to 75 per cent.

The production of weapons and munitions reached a very high level. The output of aeroplanes, for instance, was 75 per cent higher in 1942 than in 1941, and the output of tanks is officially said to have increased several times. The transport system was adapted to the needs of the moment by the complete elimination of all civilian traffic and by a radical switch over to the use of peat and wood instead of coal.

Agriculture.—The position in agriculture was very critical after the loss of the Ukraine. It was made even worse by the temporary loss of the Don region and the Northern Caucasus. The Government sought to avert the danger of famine by an extension of the sown area in the East. The results achieved were very impressive. Some five million acres of new land were brought under the plough in the course of the year. But this amounted to barely a fraction of the losses—the sown area of the Northern Caucasus alone was 30 million acres. The recapture of the Don region and the Northern Caucasus will relieve the position substantially in 1943, though normal crops can hardly be expected. The recaptured areas also used to account for some 70 per cent of the Russian output of oleaginous plants and for about one-third of the tobacco crop.

The position in agriculture remains difficult owing to the dislocation in its mechanised equipment. A substantial proportion of the tractors and harvester-combines have been immobilised or diverted to war purposes. The cadres of tractor drivers and agricultural specialists have been depleted by the call-up. The food position was not easy in 1942; and the industrial population had to live on the barest minimum of essential foodstuffs.

Financing the War.—Practically nothing has been disclosed about the financial aspects of Russia's war economy. No budget estimates for 1942 and 1943 have been published. On the whole, the financial side of Russia's war effort has probably been easier to tackle than in other belligerent countries, owing to the fact that the state is the only industrial employer and producer. Even so, some inflationary trend has appeared in wages. Wages for skilled workers and bonuses soared to a very high level in the course of 1942. Most of the newly created purchasing power of the population was drained by large-scale "donations for the army" which were made only partly on a voluntary basis.

Portugal

THE year 1942 was marked by a smaller volume and a higher value of both imports and exports; sharp increases in living costs coincident with the rising prices of prime commodities; and an unprecedented expansion of floating capital, as shown in banking deposits, the absorption of bond issues and increased dealing in real estate. The national revenue at the end of September showed a net surplus over the estimates of 80,000 contos (1 conto = £10), but this does not mean that the country as a whole is more prosperous. Portugal is predominantly an agrarian peasant community—so much so that modern financial dealings—banking, shareholding and similar activities—affect only a relatively small percentage of the population.

	Thousand Contos
Banking deposits, sight and time, at—	
December 31, 1941.....	7,204
September 30, 1942.....	16,258
Average note circulation, at—	
December 31, 1941.....	3,290
September 30, 1942.....	4,944

IMPORTS AND EXPORTS (In Contos)

	Imports	Exports
January-October, 1941....	1,982,824	1,951,507
" " 1942....	1,867,983	3,197,533

GROUP SHARE PRICES

Compiled by the National Institute of Statistics
(January, 1929=100)

	December, 1941	October, 1942
Banking establishments...	95.52	130.44
Insurance companies.....	280.08	415.75
Colonial companies.....	103.19	251.14
Transport.....	101.02	110.00

Figures of the National Institute of Statistics are as follows:—

	COST OF LIVING (Weighted Index)	
	December, 1941	October, 1942
Foodstuffs.....	137.7	145.7
Light and fuel.....	114.8	130.6
Average total.....	133.8	143.2

Such figures are academic to the ordinary consumer. He knows only that the cost of everyday foodstuffs is at least half as much again as it was in the winter of 1941, and even so is not always to be had without a long wait in queues. Olive oil, charcoal and dried cod have again and again been in short supply. Transport difficulties, due to shortage of petroleum products, have hampered distribution, but the real reason for many unwarrantable price increases has been hoarding, chiefly for speculative reasons, and sales abroad by the same few speculators. The Government has tried hard to limit retail prices to official scales, but innumerable prosecutions and heavy fines have had little effect on the general situation. All-round wage increases have helped the working classes to some extent, but not enough to counterbalance price increases, now averaging 50 to 70 per cent above the levels at the end of October, 1941.

Egypt

THE stir caused by the second occupation of Benghazi in the opening days of 1942 quickly subsided, and confidence gradually waned up to July when Rommel was halted. Thereafter, sentiment slowly recovered until the victories of the Eighth Army and the Anglo-American landing in French North Africa caused a burst of enthusiasm.

The belated adaptation of agriculture to war conditions has been finally carried through. A crop of only 3,836,000 cantars was picked, against 8,679,618 cantars in 1941. The rice crop was far in excess of the country's needs, while the crops of the two staple cereals, wheat and maize, will fully

cover domestic consumption with prospects of a further expansion next summer. Industry operated at capacity throughout the year with record earnings, but workers displayed greater restiveness following the sharp rise in the cost of living. Imports were considerably restricted, but stocks were still fairly large. The Anglo-Egyptian purchase of the whole 1941 cotton crop, together with the ever-growing expenditure of the Allied forces which may be placed at about £E80 millions, created an extraordinarily favourable balance of payments. The main result of this was a big expansion in the note circulation (£E77,600,000 on November 31, 1942, against £E52,700,000 on November 12, 1941) and a Stock Exchange boom. Both were enhanced by the official increases in the price of agricultural produce (50 per cent for rice and cereals and 22-45 per cent for cotton) and of house rents (from 8 per cent to 40 per cent). For the new cotton crop, the Egyptian Government has offered to buy the whole production at 25 tallaris fully-good-fair Giza, 7 and 20 tallaris f.g.f. uppers. Consequently, the cost of living rose from 200 in January to 269 in October.

Palestine

THE outstanding feature of the economic development of Palestine in the third year of the war was its growing part in the war effort and its industrial expansion. The threat of invasion was removed after the summer, but it had stimulated recruitment. The number of Jews enrolled in the military or defence forces of Great Britain and the Allies rose to about 28,000, and the number directly serving military needs exceeded 60,000. Some 15,000 factory workers were engaged solely on Army orders, another 15,000 in military camps and workshops and 5,000 in transport. Nearly 10,000 Arabs also were enlisted. Army orders rose from £P4,000,000 in 1941 to £P10,000,000. Besides this striking increase in the home market, exports for the year were nearly three times the value of the exports of 1941. In the first six months the value of industrial products exported increased from £P165,000 to £P580,000, of unmanufactured goods from £P135,000 to £P400,000, and of

Glyn, Mills & Co.

(ESTABLISHED 1753)
Registered with unlimited liability, 1885
Incorporating

CHILD & CO. (Established before 1600) and HOLT & CO. (Established 1809)

BANKERS

Army and Air Force Agents.

Capital	£1,060,000
Reserve Fund	850,000
Current and Deposit Accounts	59,938,007
Cash in Hand and at Bank of England	6,417,215
Bills Discounted	2,062,888
Treasury Deposit Receipts	8,000,000
Money at Call and Short Notice	11,266,200
Investments	20,568,670
Advances, etc.	10,442,707
Balances with, and Cheques in course of Collection on, other Banks in the United Kingdom	2,395,328

31st December, 1942

67, LOMBARD STREET, E.C.3

Directors:

Colonel E. GORE BROWNE, D.S.O., O.B.E., T.D., A.D.C. (Chairman)
A. MAITLAND, K.C.
A. T. MAXWELL
Lieut.-Col. The Hon. I. LESLIE MELVILLE, T.D.
NEVILLE RANDALL
C. G. RANDOLPH
Colonel M. J. BABINGTON SMITH
J. T. TULLOCH, M.C., C.A.
WILLIAM WHYTE, D.L.

Managing

Joint General Managers: G. CRUTTENDEN, W. D. CURTIS, M. S. LAWTHORP

Child's Branch - 1, FLEET STREET, E.C.4
Holt's Branch - KIRKLAND HOUSE, WHITEHALL, S.W.1

The Bank conducts every description of Banking Business, both British and Foreign.
Letters of Credit issued. Home and Foreign Credits established. Executorships and Trusteeships undertaken.

foodstuffs from £P200,000 to just on £P400,000. The principal items of industrial production were clothing and chemical and pharmaceutical products. Another industry making great strides is diamond cutting, in which nearly 3,000 workers are now employed. The imports for the year were double the value of the previous year. It was notable that the orange crop, which has been greatly reduced by the conversion of the younger orange groves into other forms of agriculture, was entirely utilised. Only about half a million boxes are exported; but a larger quantity is converted into citrus oil, and the rest is consumed in the country or by the armed forces. Corresponding to the fall in orange growing is the increase in the production of cereals, vegetables and dairy produce.

The Government finances are satisfactory. The revenue expected for the year 1942-43 was £P6½ millions, of which £P2 millions was from Customs, a similar amount from direct taxation and licence fees, and £P700,000 from the newly introduced income tax. It was possible during the year to convert the Palestine Government loan issued in 1927 at 5 per cent to a loan of £P3½ millions at 3 per cent; £P850,000 of the original issue was repaid. The currency in circulation continued to rise—from £P13 millions to £P20 millions—and bank deposits to increase. The rise in the cost of living, which amounted to nearly 200 per cent over the level at the outbreak of the war, led to further Government measures, including rationing, price control and control of profits. The new defence regulations included comprehensive measures for the prevention of profiteering, the first law of its kind in the Middle East, which had an immediate effect on commercial life. The price of the principal foodstuffs was controlled in the municipal areas, and the Government also took control of the principal raw materials in the country and of the principal imports.

Argentina

Foreign Trade.—In spite of all the difficulties inherent in wartime—loss of markets, shortage of shipping and the absence of export and import priorities—the value of Argentine foreign trade during the first eleven months of 1942 totalled 2,811,834,000 pesos, as compared with 2,461,231,000 pesos in the same period of 1941. Higher values and the development of Western Hemisphere markets, together with a considerably increased trade with Sweden, have been responsible for this increase, as exports dropped by 14.8 per cent in volume, from 5,770,000 to 4,915,000 tons, and imports by 29.5 per cent, from 5,870,000 to 4,140,000 tons. The creation of the Argentine Merchant Fleet by the purchase of Italian and Danish ships immobilised in Argentine ports, offset, in some part, the ever-increasing shipping shortage. During the twelve months ended October 15, 1942, the Argentine Merchant Fleet carried 371,433 tons of exports and 256,655 tons of imports, of which 199,186 tons went to the United States and 228,942 tons were brought from the United States to Argentina.

It is notable that, as a result of industrial development, Argentina is now actually exporting certain products which were hitherto purchased from overseas. An outstanding case is the edible oil industry. Prior to 1934, Argentina imported over 60 per cent of its edible oil requirements from Italy, Spain and Greece. In 1940 the country not only supplied its own needs, but exported 2,350 tons. In 1942 over 100,000 tons were shipped, 66 per cent of which went to the United States.

Following are the total figures for exports and imports for the first eleven months of 1941 and 1942:—

	1941	1942	Increase
	Paper pesos	Paper pesos	Per cent.
Exports	1,328,542,000	1,624,702,000	22.3
Imports	1,132,689,000	1,187,133,000	4.8
Export surplus ..	195,853,000	437,569,000	

Industry and Agriculture.—In recent years Argentine industry has become increasingly important. According to figures published by the Argentine Industrial Union, capital amounting to 200 million pesos has been invested in industry in the years 1939 to 1941. In 1927 the value of the country's agricultural and pastoral production was 3,580 million pesos and the value of industrial output, excluding the cost of raw materials, 1,541 million pesos. In 1941 the comparative figures were 3,381 million pesos and 3,400 million pesos respectively. The ultimate outcome of this rapid industrial growth can, at present, only be a matter for speculation; but, while it may always be reasonable to suppose that Argentine meat and grain surpluses may always

find a place in post-war world planning, it is very much less certain that Argentine industrial production, which, through extraordinary circumstances, is now finding an overseas market, will be able to maintain this market when traditional countries of supply re-enter the field. Nor is increased industrial output likely to be absorbed internally if the present rigid immigration laws are maintained in the post-war period.

Meanwhile, Argentina has exportable surpluses of 8,000,000 tons of wheat, 9,000,000 tons of maize and 3,000,000 tons of linseed. In the last four years assistance to agriculture has cost the Government 500 million pesos. In May, 1942, the Government announced a new plan to assist farmers and diversify production. This included the provision that purchases of maize from the 1941-2 crop would be limited to the small producers, and then only in cases of real need.

German Europe

AFTER the losses suffered during the winter battle of 1941-42 in Russia, Germany's war economy was drastically reorganised under the new Minister for Armaments and Weapons, Albert Speer. A new phase of concentration and rationalisation opened in the spring of 1942 for Germany as well as for all the occupied and dependent countries. The Armament Council set up by Minister Speer instituted direct technical control in the armament industry. Civilian production was at the same time cut down to the absolute minimum, and by the end of the year it was generally recognised that the reorganisation of Germany's war economy had been completed. Economic activity in the occupied countries decreased considerably during the year because of raw material difficulties, and the concentration of war production in German factories. The second general collection of textile materials in Germany, and a comprehensive drive for scrap iron and metals, which included the collection of obsolete plant, machinery and semi-finished manufactures, shows that the greatest economy in raw materials was necessary. Much material and labour were used in constructing fortifications on the Atlantic coast, and the occupied Russian provinces were exploited for the immediate needs of the armies fighting in Russia.

Labour.—Shortage of labour was Germany's main difficulty. Gauleiter Sauckel was appointed labour dictator for Germany, and his power of directing workers was later in the year extended to all occupied countries. More women, and workers still employed in civilian industries, were directed to war factories and the import of foreign workers reached new records. The number of foreign civilian workers employed in Germany increased from roughly 2,100,000 in February to 3,500,000 at the end of the year. At the same time, more prisoners of war were employed, particularly in agriculture.

Agriculture.—The exceptionally hard winter in 1941-42 damaged winter crops in Germany, and in almost all other European countries. The ration for bread and for meat was reduced; after the harvest the former ration was allowed, but a greater percentage of barley made up the loss of wheat. Drastic measures were required to deal with the deteriorating livestock situation because of the growing shortage of feeding stuffs. The pig and cattle population in Germany is decreasing, and it does not appear that the decline in the livestock population in occupied countries has been arrested. In Germany, as well as in most of the other countries, a comprehensive system of premiums has been introduced as an incentive for farmers and peasants. Premiums are either paid in cash or in kind. The shortage of draught animals, fertilisers and machinery became more pronounced last year.

Industry.—The German coal, iron and steel industry experienced great difficulty in maintaining output. The growing demand could only be met by reducing exports to allied, dependent and neutral countries, and by cutting civilian consumption. It may be assumed that the output of weapons and munitions was maintained, but there are signs of deterioration in quality. Repair work not absolutely essential was stopped, and any experimental work on peacetime designs of manufactures prohibited. The compulsory exchange between factories of patents, methods and experience is ordered by the controlling engineers responsible to Minister Speer. Rationalisation concentrated on machine tools, and considerable success in the rationalisation of working processes was reported. This may have partly compensated for the continued decline in individual efficiency resulting from the number of unskilled women and foreign workers employed in Germany's war industry.

Finance.—Germany's war expenditure increased considerably during the year. Various measures were decreed designed to keep public borrowing, especially short-term borrowing, as low as possible. Apart from certain exceptions, advance payments by the Wehrmacht to manufacturers were stopped. The result was an increase in advances made by the banks. The house-rent tax was abolished, and estate owners had to pay the capitalised rent into the Exchequer. Yet public borrowing increased at an even greater rate than in 1941.

	REICH DEBT (Rm. Billiards)		
	August	December	November
	31, 1939	31, 1941	30, 1942
Long-term debt	25.01	64.17	83.96
Short-term debt	12.32	64.33	97.73
Total debt	37.33	128.50	181.69

The total debt probably stood at Rm. 186,000 millions at the end of the year, which means that the total of public borrowing since August, 1939, is equal to the total borrowing during the whole of the last war. During 1941, the increase amounted to Rm. 42,160 millions, and during 1942 to Rm. 60,000 millions. In August, 1939, short-term borrowing covered 33 per cent of the total, and, in November, 1942, 53.8 per cent. This change occurred in spite of a determined effort to keep down short-term borrowing. Small savings deposits increased by Rm. 14,000 millions to Rm. 50,000 millions, against an increase of Rm. 10,000 millions in 1941.

The regular publication of revenue figures has ceased, but official sources indicate that it has risen as follows:—

	(In Million Rm.)		
1939-40	23,600	1941-42	32,500
1940-41	27,000	1942-43	35,000

The rate of increase is thus much smaller in 1942-43 compared with 1941-42. If the war contribution of communes, the tribute paid by Bohemia and Moravia, and the costs of occupation are included, total revenue is estimated in 1942-43 at Rm. 49,000 millions. Borrowing can be estimated at roughly Rm. 60,000 millions, and the total available for expenditure is thus Rm. 109,000 millions, against Rm. 90,000 millions in 1941-42. In other words, nearly 55 per cent of the total finance available is now covered by borrowing, against 50 per cent in 1941-42. Semi-official sources state that during 1941 and 1942 roughly Rm. 14,000 millions were bought in the form of Treasury bonds by foreign countries.

There was another increase in the bank notes in circulation, from Rm. 19,325 millions to Rm. 24,375 millions.

France

Industry.—The past year was one of further decay in France's industrial life. Stocks of raw materials and fuel became exhausted. Most French industries became dependent on the supply of raw materials by Germany. The metal shortage is most strikingly illustrated by the "metal-tax"—certain taxpayers have to pay fixed proportions of their rates in metal. The number of textile factories was reduced to about 8,000 (against 12,200 before the armistice). Shortages of fuel and lubricants were aggravated in 1942; the shortage of timber props hampered coal output. A further concentration of industry was carried out under the direct control of the Germans.

Agriculture.—The year's wheat crop was below six million tons compared with a pre-war average of 8.5 million tons. The wine harvest was somewhat better—about 33 million hectolitres, which still leaves the country with a deficit of more than 10 million hectolitres, owing to German demands and the increased use of alcohol as fuel. The sugar beet crops improved; about seven million tons were delivered to the State in 1942. The numbers of livestock again declined owing to the acute shortage of fodder.

Labour.—The main problem was the *relève*, that is, the more or less compulsory transfer of French workers to Germany. The Laval-Sauckel agreement provided for an exchange of prisoners of war for skilled workers at the rate of one prisoner for three workers. The German demands grew with the development of the crisis of manpower in Germany until they reached 250,000. The *relève* met with stubborn resistance; and in the summer it gave rise to a strike movement in Vichy France which forced Laval to make temporary concessions. But, after the second German occupation, the *relève* was resumed with more ruthlessness; and towards the end of the year large parties

of French workers were reported to be on their way to Germany almost every week.

Labour conditions in France itself grew worse. The bargaining power of the workers was dwindling, and wages did not increase in spite of an inflationary rise in the cost of living. Masses of workers sought to evade the *relève* by fleeing to the countryside and working as farm labourers.

Finance.—The 1942 Budget estimates were 105.5 milliard francs for ordinary expenditure and 33 milliards for extraordinary expenditure. Revenue was expected to yield about 80 milliard francs; the estimated deficit was 58 milliards. Revenue, in fact, reached about 90 milliards. The Budget did not include the indemnity to the German army of occupation, which added 109.5 milliard francs to the deficit.

Banknotes in circulation rose from 263 milliard francs in December, 1941, to 379 milliards towards the end of December, 1942. Currency inflation dominated the whole financial position and gave rise to a very pronounced flight from the franc. This was reflected in a prolonged boom for industrial shares on the stock exchanges. The boom was interrupted twice: in May and June and later on in August. The occupation of North Africa by the Allies gave a further stimulus to the flight from the franc. The boom for industrial shares made the credit position of the Treasury somewhat difficult, and the Minister of Finance tried to counteract the upward tendency of the bourses by restrictive measures.

WILLIAMS DEACON'S BANK LTD.

Member of the London Bankers' Clearing House.

**Facilities for Banking
business of every
description.**

Principal London Offices:

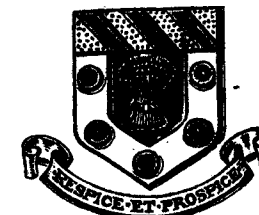
20, BIRCHIN LANE, E.C.3.

9, PALL MALL, S.W.1.

Principal Manchester Offices:

MOSLEY STREET-ST. ANN STREET

OFFICES THROUGHOUT
LONDON, LANCASHIRE, YORKSHIRE,
CHESHIRE, DERBYSHIRE, STAFFORD-
SHIRE AND NORTH WALES.



ASSOCIATED BANK:
THE ROYAL BANK OF SCOTLAND.

Industry and Trade

Foodstuffs

THE increasing strain on shipping, inland transport and manpower brought further extensions of rationing in 1942 and a stricter control over food manufacture and distribution. Points rationing was extended; confectionery and soap were each rationed separately; details of changes in the domestic rations are given on page 18. Concentration was applied to a number of food manufacturers, in order to release factory space and labour for other purposes. To economise in transport, wholesale distribution was rationalised, each manufacturer or distributor of similar products being allowed to sell in one area only. In some cases, this zoning was planned and executed by the trades concerned; in others, notably fish, the zoning was imposed by the Ministry of Food. In order to ensure the supply of green vegetables at reasonable prices, the Ministry offered contracts to growers at stated prices for delivery in specified months. The National Milk Scheme and the distribution of fruit juices to small children were continued.

Imports

Cereals.—The following statistics of wheat production in the four principal producing countries are taken from the *Corn Trade News*, together with forecasts of the end of season stocks in the cereals year 1942-3:—

	Production			Estimated Stocks on		
	1940-1	1941-2	1942-3	1941	1942	1943
USA	851	946	981	387	627	830
Canada	551	299	593	480	424	690
Argentina ..	276	224	242	130	198	255
Australia ..	84	167	152	65	122	165
Total ...	1,762	1,636	1,968	1,052	1,371	1,940

The carry-over of wheat in these four countries on August 1, 1942, was about 1,370 million bushels; to this huge surplus has been added the excellent harvests of 1942, in which an exceptionally good yield per acre was obtained in North America. Exports from these four countries are believed to have been about 320 million bushels of wheat in 1941-2 (including flour in terms of wheat), and exports in the current season are not likely to vary greatly as a whole; the carry-over into the 1943 season may therefore approach 2,000 million bushels, unless a quite exceptional quantity is used as animal feed. The Canadian wheat crop of close on 600 million bushels was harvested from a slightly smaller area than in 1941—21.3 million acres as against 22.4 million in 1941; exports of wheat and flour as wheat in the cereal year 1941-42 totalled 222 million bushels (231 million bushels in 1940-41), but with increased production and a higher wheat extraction rate in the United Kingdom exports in the current season may not be as large. The minimum wheat price guaranteed by the Canadian Government was raised from 70 cents per bushel to 90 cents for the 1942 crop for the marketing quota of 280 million bushels. In order to stimulate the feeding of grain to livestock, the Federal Government allowed rebates on transport from the Western Provinces of surplus production to the livestock areas in the East; it has also been announced that the 1943 wheat marketing quotas, on which alone a full price will be paid, will be reduced to 250 million bushels. In the United States, the problem of storage became acute in 1942, and is likely to be intensified in 1943, as the old crop moves off the farms. The loan price offered by the U.S. Government (based on the calculated "parity" price) was 116½ cents per bushel; farmers were urged to use wheat for livestock, and to divert as much land as possible in 1943 to the production of other crops. Exports of Argentine wheat in 1942 were about equal to the 80 million bushels exported in 1941, but with a larger crop paid for by guaranteed minimum prices, the carry-over into 1943 was considerably greater than at the end of 1941. No statistics have been published of Australian wheat exports; the entry of Japan into the war automatically cut off Australian

exports to the Far East, but it is possible that this loss was partly counterbalanced by exports to the armies in the Middle East. The area licensed for wheat-growing in Australia for the 1942-3 harvest was reduced by 15 per cent, compared with that licensed in 1941-2 (not all of which was planted); growers in Western Australia had their allotted area reduced by one-third, owing to the special difficulties of shipping and storing the crop of that state. Representatives of these four major wheat-exporting countries and of the United Kingdom attended an International Wheat Conference in the summer of 1942; it was agreed to set up a relief pool of 100 million bushels of wheat which would be distributed free to European countries after the war as part of the emergency feeding plans.

Dairy Produce, Meat and Bacon.—The shortage of shipping led in 1942 to a further shift in the normal channels of international trade in foods. The British output of cereals for human consumption has been increased by the growing of more wheat, the raising of the extraction rate in April, 1942, to 85 per cent, and by the admixture of oats and barley to the loaf, announced to begin early in 1943; at the same time consumption has been steered on to potatoes, in order to reduce still further the import of wheat. To offset the fall which must have occurred in British production of meat and dairy products, and to increase the supplies of protein-rich food from the low level of 1941, overseas countries have been stimulated to export more meat, bacon and dairy products. In the contracts made with exporting countries in the autumn of 1941 for the 1941-42 season, the Ministry of Food asked for more cheese, if necessary at the expense of butter, more dried eggs and milk, and an increase in bacon exports. The 1942-43 (April-March) contract for Canadian cheese asked for exports of 125 million lb., and the production in the first six months of 1942 of more than 83 million lb. showed an increase of two-thirds compared with the same period of 1941. The number of pigs in Canada increased from 4.3 million in June, 1939, to 6.1 million in 1941 and to 7.1 million in 1942; a further increase has been planned for 1943, in order to meet the increased home demand for pork as well as the British bacon contract. The 1941-42 contract is believed to have asked for 600 million lb., while the 1942-43 contract may have been as large as 700 million lb. An increasing proportion of British imports of meat are shipped either boned or canned, in order to economise in cargo space. Both in Canada and in Argentina, the output of beef has been stimulated by larger exports and higher prices, combined with low feeding costs.

Home Production

PRICES of livestock products were increased in January, 1942, to cover the rise, in December, 1941, in the minimum wage from 48s. to 60s. per week; crop prices were raised for the 1942 harvest for the same reason.

Wheat.—The basic price for wheat (which increases throughout the season) was fixed at 16s. per cwt. for the 1942 crop; it has been announced that a price of 14s. 6d. per cwt. will be paid for the 1943 crop, plus an acreage payment of £3 per acre. This will assist the new grower on indifferent soil, whose yields are likely to be lower than those obtained in the old arable areas.

Barley.—The price of malting barley was controlled for the first time in August, 1942, at a maximum of 35s. per cwt., which will be reduced in 1943 to 27s. 6d. per cwt. The feeding of barley for animals (except in special cases) was prohibited in November, in order to obtain increased supplies for mixing with wheat flour.

Oats.—Maximum prices for the 1942 crop began at 14s. 9d. per cwt. for milling oats and 14s. 6d. for feed oats directly after the harvest, with a minimum price of 14s. per cwt.; these prices increase throughout the season to compensate farmers for the cost of keeping oats in stock.

Potatoes.—The acreage subsidy was maintained in 1942, while growers' prices were raised by 5s. a ton. Retail prices were kept low by a subsidy (estimated to cost £20 millions



DISTRICT BANK LIMITED

PRINCIPAL LONDON OFFICE

75 Cornhill, E.C.3

FOREIGN DEPARTMENT

13 Spring Gardens, Manchester, 2

76 Cornhill, London, E.C.3

2 Castle Street, Liverpool, 2

HEAD OFFICE:

SPRING GARDENS, MANCHESTER, 2

Established

1833

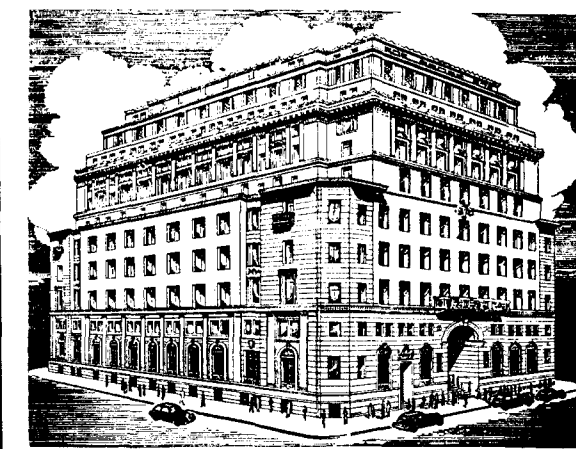
NATIONAL PROVINCIAL BANK LIMITED

Head Office:

15 Bishopsgate, London, E.C.2

Affiliations:

COUTTS & CO.
GRINDLAY & CO. LTD.



HEAD OFFICE, LIVERPOOL.

Complete Banking Service

Capital Paid Up and Reserves - £8,247,688

Deposits, etc., at 31st Dec., 1942 - £167,338,767

Total Assets £183,498,585

MARTINS BANK LIMITED

LONDON DISTRICT HEAD OFFICE: 68, LOMBARD ST., E.C.3

Head Office: WATER STREET, LIVERPOOL 2



Experience and Progress

Barclays Bank has a history covering a period of more than two centuries. The experience and sound traditions of the past are united with a progressive policy in an organisation adequately equipped to meet all modern requirements.

Full particulars of all the services which the Bank provides may be obtained from any Branch Manager.

BARCLAYS BANK LIMITED

Head Office:

54, Lombard Street, London, E.C.3.

Associated Companies:

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS).

BARCLAYS BANK (CANADA).

BARCLAYS TRUST COMPANY OF CANADA.

THE BRITISH LINEN BANK.

a year) in order to stimulate their consumption and thus to reduce that of imported wheat.

Sugar Beet.—The prices paid under the 1942 contract—85s. 8d. to 87s. 8d. per ton of 16.9 per cent beet—are to be continued for the 1943 crop.

Milk.—The increase in consumption continued, under the stimulus of the National Milk scheme, while production is believed to have been a little larger than in the earlier war years. Restriction of sales to non-priority consumers, begun in the winter of 1941, was continued throughout 1942, except for a few weeks in the peak period of production. From the beginning of the new contract year (October, 1942), the Ministry of Food became the sole buyer of liquid milk from all farms, so that supplies could more easily be allocated in accordance with demand. The fixing by the Ministry of new trade margins, which gave higher allowances to the larger firms who also undertook extra services, aroused much criticism. Farmers' prices were raised by 1½d. per gallon in January-March, 1942, compared with the same months of 1941, to allow for higher costs; and by 2d. per gallon for the succeeding twelve months to March, 1943. For the summer of 1942, the average pool price in England and Wales was thus 17.35d. per gallon and for the six winter months of 1942-43 it was 29.21d. This stimulus to winter milk production was intensified by an inter-regional competition to increase farm sales of milk and by the allocation of milk "targets" to each county.

Livestock.—Prices were raised gradually from January, 1942, to give farmers an extra 6s. 6d. per cwt. on fat cattle and 13d. per lb. on sheep and lambs. The price of pigs was raised by 1s. to 24s. per score, and the weights for which this price was paid were increased in order to encourage the production of heavier animals. The Ministry of Supply allowed an average increase of 2d. per lb. on wool of the 1942 clip.

Poultry.—The six-monthly summer and winter prices for eggs were abolished in March, 1942, together with differential prices for grades; from March 5th, producers were paid a flat price of 30s. 10d. per 120 for eggs of all sizes. In the first year of the full control scheme (ending in June, 1942) 2,442.5 million shell eggs were collected, of which 1,658.5 million were home produced. From July, 1942, the amount of balancer meal allowed to domestic poultry-keepers was limited to supply only one hen per person, and meal could only be obtained by the surrender of an appropriate number of shell egg rations; it was stated that about 4.3 million persons in Great Britain had surrendered their shell egg rations in order to get food for their hens.

Vegetables.—The National Vegetable Marketing Company, which had been set up to deal with the marketing of carrots and onions, was wound up in the summer of 1942 and the Ministry of Food took over its functions. The Ministry also offered contracts for the supply of certain types of winter greens during the winter of 1942-43, in order to ensure adequate supplies at reasonable prices.

The price indices calculated by the Ministry of Agriculture for farm products are given below:—

INDICES OF AGRICULTURAL PRICES (a)
(1927-29=100)

	1938		1942			
	Average	March	June	Sept.	Dec.	
Wheat	94	153	147	152	157	
Barley	84	593	625	277	303	
Oats	79	164	156	165	171	
Fat Cattle	95	141	142	139	135	
Fat Cows	77	111	112	106	99	
Fat Sheep	69	113	122	128	125	
Fat Ewes	70	121	131	127	127	
Bacon Pigs	84	142	160	158	153	
Eggs	85	260	220	150	131	
Milk	102	190	165	161b	207b	
Cereals and Crops ..	86	226b	235b	167b	180b	
Livestock and products	88	167b	157b	146b	158b	
General Index	90	177b	171b	150b	162b	

(a) Including Government Subsidies, 1942.

(b) Provisional.

Rationing

SOAP and additional foods were rationed during the year. Soap rationing was begun on February 9th, each person being allowed four coupons for each four-weekly period. The values fixed then have not been changed. Each coupon

is worth 3 oz. toilet soap, 4 oz. household soap, 3 oz. soap flakes, or 6 oz. of 12 oz. (according to soap content) of washing powder. A saving of 20 per cent in consumption has been achieved. Chocolate and sweets were rationed on a points system on July 26th, and for this purpose a personal ration book was issued. The ration began at 8 points, or ½ lb. of chocolate or sweets in each four-weekly period; it was raised to 1 lb. on August 23rd, and lowered again on October 18th to 12 oz. No registration is required for these new rations, and they can be bought at any shop. Confectionery coupons are cut out and soap coupons marked. The points rationing system was extended to include additional foods. On January 26th, whole rice, sago, tapioca, dried peas and beans, lentils and dried fruits "went on points." On February 23rd fruit, tomatoes and beans in brine, all in tins, were included. Condensed milk and prepared cereal breakfast foods were added to the points ration on April 6th. Syrup and treacle were transferred from the preserves ration on July 26th, and from August 23rd points were required for biscuits. Changes in the points value of the various goods were made from time to time. On January 12th, the fats ration, which had been raised for two months, reverted to 8 oz. a week. Tea coupons were cut out by retailers from April 6th, and on July 26th

CHANGES IN WEEKLY QUANTITIES OF RATIONED FOODS IN 1942

In Force	Points									
	Sugar	Bacon	Butter	Margarine	Cooking Fats	Meat	Tea	Cheese	Milk*	No. per 4 Weeks
1942 Jan. 1	12	4	2	5	3	12	2	3	2	16
" 12	8	"	"	4	2	"	"	"	"	"
" 26	"	"	"	"	"	"	"	"	"	"
Feb. 9	"	"	"	"	"	"	"	"	"	20
" 23	"	"	"	"	"	"	"	"	"	"
Mar. 15	"	"	"	"	"	"	"	"	"	24
" 29	"	"	"	"	"	"	"	"	"	"
April 6	"	"	"	"	"	"	"	"	"	24
May 23	"	"	"	"	"	"	"	"	"	24
June 1	"	"	"	"	"	"	"	"	"	24
July 26	"	"	"	"	"	"	"	"	"	20
Aug. 23	"	"	"	"	"	"	"	"	"	20
" 30	"	"	"	"	"	"	"	"	"	20
Oct. 25	"	"	"	"	"	"	"	"	"	20
Nov. 22	"	"	"	"	"	"	"	"	"	20
Dec. 13	"	"	"	"	"	"	"	"	"	20

* May be taken in margarine.

† Ordinary consumers. Not a ration, but an individual allowance.

‡ Fresh meat 1s. corned beef 2d., until April 26th (excluding offals). Half rations for children under 5.

§ 12 ozs. to certain workers; raised to 1 lb. on July 26th.

§§ Unrestricted until August 29th.

¶ For two weeks an extra half-pound was issued for jam-making.

†† Withdrawn from children under 5.

the ration was withdrawn from children under five. Between April 6th and August 22nd, 1 lb. of sugar could be bought instead of the ½ lb. ration of preserves, and an extra ½ lb. was allowed for two weeks from July 27th. The production of milk was larger than in 1941, and priority consumers' allowances were unchanged. National household milk was available during the winter months to supplement fresh milk. During the summer, unrestricted milk supplies were allowed to ordinary consumers, provided priority allowances were met. The allocation of shell eggs to ordinary consumers was about 29 during the year, and that to priority consumers about 116. Shell egg registrations were required to be surrendered from July 27th by domestic poultry keepers to obtain balancer meal, the ration being enough for one hen for each registration. Dried eggs made their first appearance at the end of June, and a packet equivalent to a dozen eggs was allowed for about two months. A cooking quality was sold without restriction at the end of the year. Allocations of fruit juices to children were extended, and they were made available to pregnant women. The white loaf disappeared on March 23rd, by the raising of the rate of extraction of flour to 85 per cent. Although bread was not rationed, an "Eat More Potatoes" campaign was instituted to increase consumption of these. Consumption of potatoes in January, 1943, was 18 per cent above that in January, 1942. Reductions were made in the allocations of raw materials for manufactured goods, and specifications laid down for them. Production of some goods was concentrated. Zoning schemes were begun to save transport, and restrictions were placed on retail deliveries.

Price Control

THE Ministry of Labour's index of retail food prices, given in the accompanying table, shows the trend of food prices throughout the year:—

MINISTRY OF LABOUR'S INDEX OF RETAIL FOOD PRICES

	Sept. 1939	Dec. 1941	Mar. 1942	June 1942	Sept. 1942	Dec. 1942	Jan. 1943
July, 1914=100	138	165	162	159	160	164	164
Sept., 1939=100	100	120	117	115	116	119	119

The rise in the index between September and December was due mainly to rises in the prices of bread, flour, bacon and butter. The prices of sugar, potatoes, fish and eggs were lowered slightly. During the first quarter of the year, the total cost of subsidies was at the rate of £127 million per annum, compared with about £109 million the year before. The individual subsidies were as follows:—Flour, bread, oatmeal and feeding stuffs, £40 million; meat, £23 million; potatoes, £20 million; sugar, £13 million; the National

Raw Materials

THE United States' entry into the war and the loss of the rich Pacific sources created difficult supply problems. Alternative supplies had to be secured, a task which coincided with much increased raw material requirements for the extended Allied war production programmes.

The solution of the raw material problems of the United Nations was facilitated by the complete pooling of all resources through the Combined Raw Materials Board. This Board, which was set up on January 26, 1942, is composed of one British and one United States representative, and acts mainly through an Advisory Operating Committee, on which the main United States and British Government Departments interested in raw material supplies are represented. The Board not only allocates supplies from available sources (including non-Allied sources) to the various United Nations, but is also actively engaged in the development of new sources of supply, the conservation of materials, the co-ordination of purchases in order to exclude competition, and the planning of raw material shipments.

As a result of careful planning, world production of raw materials increased in 1942, and some of the more critical supply problems created by the loss of the Pacific sources, as in tin and oilseeds, have virtually been solved. In spite of the generally increased supplies, the raw materials supply position was fairly stringent throughout the year, a direct result of the unprecedented demand for materials for war production. It was only natural, therefore, that civilian supplies were cut to a minimum and that the flow of materials into munitions plants had to be canalised to assure the completion of the more urgent parts of the war production programmes according to schedule. This task entailed complete Government control over all phases of the raw materials trade.

In the United Kingdom, the control system was virtually completed before the beginning of the year, and with the exception of the extension of state control over the coal industry there were no decisive changes in the British raw materials control system in 1942. In the United States, the War Production Board believed that its raw material supplies were ample enough to assure a satisfactory distribution through the full utilisation of the simple priority system, which had been introduced for the more critical materials a year before the country actually entered the war. By the spring of 1942, however, it became obvious that the issue of priority certificates against all war contracts and the more important civilian contracts was leading to a rapidly expanding "inflation of priorities," in which sometimes even the contractors of important munitions contracts found it impossible to secure the necessary materials for the completion of their production programmes. In the middle of the year, therefore, the War Production Board decided to design an allocation system under which the issue of raw material permits would be limited to the total of materials available within each quarterly control period. The result was the "Production Requirements Plan," which came into general operation on October 1, 1942. For the three most important war metals (steel, copper, aluminium) the War Production Board in November, 1942, announced a special "Controlled Materials Plan" by which the contract-placing Government Department is switched between the contractor and the raw materials allocation body (the WPB

Milk Scheme, £18 million; other milk, £2 million; eggs, £11 million; tea, £3 million; other foods, including milk products, bacon and ham, and carrots, £7 million. The total of these items is £137 million, but £10 million was saved on other foods. At the beginning of the year, the number of price orders in operation was 90, and it had risen to 105 by the end of 1942. Nearly all the important foods were price controlled by the beginning of 1942, but during the course of the year the following products were added: biscuits, cakes and flour, confectionery, sweets and chocolates, cucumbers, rhubarb, pears, mustard seed, coffee essence, meat products and cooked meats, fish cakes, most varieties of game, and soap. A number of producers of manufactured food were required to label their products with the permitted maximum prices. Some price schedules were simplified, notably those for meat and jam. A maximum price of 5s. per meal in restaurants was imposed during the year, and certain restaurants were permitted to make an additional house charge. The Ministry of Food's *Official Retail Price List* was first published on April 7th, and supplements are issued at the beginning of each four-weekly period, to cover amendments.

Requirements Committee) in order to secure maximum control over the use of these materials within the war production programme. This plan, however, will not come into operation before the middle of 1943.

Both the United States and Britain continued to pursue the policy of stabilising prices. There were only a few raw material price changes in 1942, none of which was of great importance. In order to prevent low metal prices from hampering production, the United States Government in February, 1942, introduced a production premium system, by which producers of copper, lead and zinc receive substantial premiums over the official prices for all increases in their production over the 1941 total. Last October a general price bill was adopted in the United States designed to stabilise prices and wages at the level of September 15, 1942.

ALEXANDERS DISCOUNT CO. LIMITED

24 Lombard Street, E.C.3

Capital Authorised	£1,800,000
Subscribed	1,800,000
Paid-up Preference Shares	200,000
Paid-up Ordinary Shares	800,000
Reserve Fund	1,000,000

DIRECTORS

COLIN FREDERICK CAMPBELL, *Chairman*
GEORGE CLEVERLY ALEXANDER
ROBERT ALEXANDER
MARK DINELEY
ERIC GORE BROWNE, D.S.O., O.B.E., A.D.C.
SIR AUSTIN EDWARD HARRIS, K.B.E.
FRANK NEWCOMB

Joint-Managers { E. J. BOWIE
A. MACNAGHTEN
Secretary—P. C. TONG

Approved Mercantile Bills discounted. Loans granted on negotiable securities. Money received on deposit at call and short notice at current market rates, as advertised from time to time in the daily papers. For longer periods on specially agreed terms.

The Company deals in British Treasury Bills of any maturity

Coal

THE past year was a period of more Government intervention and of greater spectacular changes in organisation and methods of control than at any other time since the outbreak of the war. The problem of supply was again the chief preoccupation, and its most urgent aspects were manpower and its efficient employment. During the winter of 1941-42 national stocks were reduced from 31 million tons to 14 million tons; in the spring and early summer months production was stationary, if not declining, while the requirements of essential industries were stated to be expanding; and when at the end of September the Minister of Fuel was budgeting for the 1942-43 winter he estimated a deficit of about 14½ million tons at the current rates of production and consumption. The most important of the practical measures taken by the Government were the provision of more miners, restrictions on the supply of house coal, and the enforcement of economies in all forms of consumption. But the release of ex-miners from the Army and Air Force, transfers from other industries and the recruitment of school-leaving boys and of men between 18 and 25, who could choose between service with the armed forces and in coal-mining, the number of wage-earners employed during 1942 averaged approximately 710,000 (in spite of the natural wastage at the rate of between 25,000 and 28,000 per annum), compared with 698,000 in 1941 and with a pre-war total of 765,000. Transport facilities were also more favourable than in the previous year; canteens capable of supplying full meals to 60 per cent of the workmen were either in operation, under construction or in preparation, and exceptional incentives to higher outputs were given in the form of a general wage increase of 2s. 6d. per shift as from June 1st, and after September 5th of a bonus of 3d. per shift for every complete one per cent gain in output above a standard figure fixed for each district by the colliery owners, the miners' leaders and the Greene Board of Investigation.

Of these measures the most effective was the economy campaign. The Ministry of Fuel aimed at a saving of at least four million tons in the supply of coal for domestic consumption, and in a broadcast on February 17th last he stated that this target had been "already nearly reached." In the iron and steel industry requirements are estimated to have been reduced by from 5 per cent to 7½ per cent, and in other branches of industry as well as in the public utilities relatively even greater economies have been effected. The national output, however, fell slightly below that of 1941, amounting to approximately 212½ million tons (pit-head weights), compared with 213.4 millions tons. The chief causes of the decrease, in spite of the employment of more manpower, were increased absenteeism (particularly at week-ends) and a reduced output per manshift worked. Among coal-face workers the average rate of absenteeism from all causes ranged from 13 per cent to nearly 15 per cent, against about 11.16 per cent in 1941 and just under 8 per cent in 1938, and the output per manshift fell to about 57.3 cwt., compared with 58.8 cwt. in 1941 and 59.6 cwt. in 1939; for all persons employed below and above ground the rate of absenteeism was over 11 per cent, compared with 9.03 per cent in 1941 and 6.44 per cent in 1938, and the output per manshift worked, about 21 cwt., compared with 21.52 cwt. in 1941 and 22.96 cwt. in 1938. There was an estimated loss of approximately 900,000 tons in the national output owing to disputes, against 360,000 the previous year.

In March the President of the Board of Trade asked Sir William Beveridge to report on the most equitable and effective methods of restricting and rationing household consumption; but Sir William's coupon points rationing scheme was not adopted because of Parliamentary opposition, and on June 3rd the Government submitted its own proposals covering production, consumption and the organisation of the industry. The Government ostensibly assumed full control over the operation of the mines through national and regional machinery, giving the Minister of Fuel full and undivided responsibility for the policy and general conduct of mining operations and the finances of the industry. It authorised an increase of 2s. 6d. per shift as from June 1st, thus raising earnings per shift by between 55 per cent and 60 per cent above the pre-war level, and the introduction of a scheme for the redistribution of the net proceeds of the industry so as to secure, if possible, a minimum credit balance, partly adjusted to past performance, for each coalfield, and averaging between 1s. 6d. and 2s. per ton of commercial disposals for the industry as a whole. To finance these transactions and other commitments (including cost of the guaranteed wage, assistance to necessary undertakings, but excluding that of Government

operational control) the price of coal has been increased by 4s. per ton (apart from differential concessions to some districts), and a levy of 5s. per ton, payable into a central pool, imposed on sales. As regards industrial relations, the outstanding event of the year was the formation of the National Wages Board, in the negotiation of which the Greene Board of Investigation collaborated actively with the Joint Standing Consultative Committee of the Industry.

Oil

INCREASED military demand for tanker tonnage put an end to the British basic petrol rations in 1942. For goods vehicles the basic ration was stopped on March 7th, for private motor cars it terminated on June 30th. Since then petrol has only been allocated for essential purposes. On August 1st, the Ministry of War Transport issued a direction according to which no vehicle is allowed to operate on substitute fuel for purposes which would not justify an issue of petrol or diesel oil. The planned conversion of 10,000 vehicles to producer gas made but slow progress in 1942, but in February, 1943, Lord Leathers informed the House of Lords that the conversion is now proceeding rapidly and will be completed in the summer. For the time being, there will be no extension of the conversion programme beyond the limit of 10,000 vehicles, as fuel remains a limiting factor. Since the British price changes in February, 1942, described in last year's *Commercial History*, quotations have remained unaltered.

Transport remained the crux of the Allied oil problem. According to Admiral Land's annual review, 62 tankers were delivered into service by United States shipyards in 1942, but no figures are available about the tonnage of these tankers. The tanker supply position, however, remained extremely tight and enforced further restrictions in United States domestic supplies. From October 15th, fuel oil supplies in thirty states were limited to two-thirds of their normal requirements, and from the middle of November gasoline rationing was extended to the whole country. For the latter move, however, the necessity to economise in the use of rubber and spare parts was primarily responsible. The internal United States oil transport problem will probably be eased in 1943 as a result of the completion of certain pipe-lines and the authorisation in December, 1942, of a programme for the construction of oil barges, tow-boats, tugs and terminal facilities. These small craft alone are to bring 150,000 barrels daily from Texas to the Atlantic coast.

The complicated position of the United States oil industry induced President Roosevelt at the beginning of December, 1942, to establish a "Petroleum Administration" with extended powers. The first Administrator is Mr Harold Ickes, who had previously acted as Petroleum Coordinator. In February, 1943, Mr Ickes demanded the drilling of 4,500 new wells in 1943, an increase of 50 per cent on the normal figure. There are no longer official production statistics, but it is known that last year United States production, owing to reduced requirements and transport difficulties, showed its first substantial fall for years. Outside the United States the main event has been the fight for the Russian oil. As Mr Stalin stated in his Revolution Celebration speech, the German High Command had planned to occupy Baku by September, 1942. They never came even as far as Grozny, and the Maikop oilfield, the only Russian oilfield they occupied, was completely destroyed by the retreating Russians. The Maikop area was re-occupied by the Russians early in 1943, who also restored the Volga communications by wiping out the German armies at Stalingrad. Russia's oil supply in 1943 thus seems assured, while the fight for Russia's oil must have caused a very substantial further drain on German oil reserves. The effects of this drain are reflected in the suddenly enforced compulsory conversion towards the end of 1942 of essential goods vehicles and agricultural tractors in Germany and occupied European countries to producer gas.

Non-Ferrous Metals

WITH the exception of tin, production of all non-ferrous metals and light metals advanced strongly in 1942. There are no reliable statistics to show the extent of the advance, but it is more than likely that in almost all individual cases new world records were established. These new maxima must have been especially impressive in the cases of aluminium and magnesium, where the start of production in a number of new works in North America has been

shield over freedom

Over Dunkirk — *too few*

Over Singapore — *too few*

Over Crete — *too few*

But the factories hummed,
and the people toiled;
more planes, more planes . . .
thousands . . .

Squadron after Squadron —
roaring into the sky!

Layer above layer!

Far below —

like toy ships on a floor —

The Convoy —

Shield over the Convoy —

The Stukas slink away —

the Convoy goes on!

Shield over Malta

— *Malta, the indomitable*

Shield over the

Eighth Army,

crashing to Victory.

Shield over the Great Fleet,

steaming to Algiers.

And some day — shield

over Europe while the

Nazi hordes go rolling

back . . . and our boys

go charging forward

to free the nations.

Shield over Freedom!

More Planes. **MORE PLANES.**

* * * *

Soon you will have a special chance to show your gratitude to the boys who fly these planes. Wherever you live your Local Savings Committee is making plans for its "Wings for Victory" Week. Go all out to help your town or district get its target and win its Victory Wings. Let your savings soar. This is the least you can do for those who have done so much for you. **SAVE MORE.**

Issued by the National Savings Committee

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

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	£1,770,000
Currency Reserve	£1,585,000

Board of Directors:

S. M. WARD, Esq., Chairman.	E. M. JANION, Esq.
THE RT. HON. LORD ALDENHAM.	SIR GEORGE SCHUSTER,
SIR CLIVE BAILLIEU.	K.C.S.I., K.C.M.G., C.B.E.,
K.B.E., C.M.G.	M.C., M.P.
THE RT. HON. LORD HUNTINGFIELD, K.C.M.G.	SIR FREDERICK W. YOUNG

London Manager & Secretary—J. A. CLEZY.

Sub-Manager—R. J. ALLEN. Accountant—C. N. HARRISON.
Bankers: Bank of England; Westminster Bank Limited.

Chief Office in Australia:

COLLINS STREET, MELBOURNE

and 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.

reported in the course of the year. The Combined Raw Materials Board divided the responsibility for the metal development programme in the various producing countries between the United States and Great Britain, a move which assured an intensive and centrally directed effort.

In spite of the record production the supply of metals was, in most individual cases short, a direct result of the rapidly increasing requirements for war purposes. Lead was the only base metal which was available as a substitute for other metals. Wherever possible, however, non-metallic materials, especially plastics, were used instead of base metals, and many metal standard specifications have been revised to assure greater economy in the use of the scarce metals.

Tin, through the loss of the rich Pacific producing countries, which in normal times supplied two-thirds of world production, provided a special problem at the beginning of 1942. This, however, has been gradually solved as the year progressed. The problem was tackled from both the production and consumption sides. Production outside the Pacific region—especially Bolivia, Belgian Congo and Nigeria—has been stimulated by all possible means, and although labour difficulties and the difficult preparatory work temporarily slowed down production in Bolivia, the total output of the non-Pacific producing countries has undoubtedly surpassed that of any previous year. On the consumption side revolutionary changes have taken place in 1942, of which the extension in the use of the electrolytic process of tinplating, one of the greatest tin-saving devices ever introduced, may be permanent. A number of emergency measures—like the substitution of lacquered steel-plate for tinplate, the reduction of the tin content in bronze, bearing metals and solder, and the restrictions in the use of foil and other tin products—which saved much tin in 1942, will probably disappear again after the return to normal conditions. According to the US War Production Board the United States used only 65,000 tons of tin last year, a reduction of over one-third on 1941. Present plans aim at cutting US tin consumption in 1943 to half the 1941 total. As the United States and British tin policies have been closely co-ordinated, it is likely that the cut in British consumption approximately equalled that in the United States. One important event in the history of tin in 1942 was the start of operations at the Texas City tin smelter on April 5th. This smelter closed the gap in Allied tin-smelting facilities created through the loss of the Straits and Banka smelters and is at present the largest tin smelter.

British prices for the main base metals remained unchanged throughout 1942. In the United States copper, tin and zinc prices remained unaltered, but the lead quotation was raised from 5.85 cents to 6.50 cents per lb. (spot New York) in January, 1942. The rise did not indicate an alteration in the country's metal price policy, which continues to aim at the stabilisation of existing basic prices. In order to prevent the relatively low prices hampering production in high-cost mines, the United States Government in February, 1942, agreed to pay producers a premium of 2.75 cents per lb. in the cases of lead and zinc and one of 5 cents per lb. in the case of copper, for any increases in their output above the 1941 total. This arrangement, which was originally designed to run till the end of June, 1944, shortly before the end of the year was extended to the end of January, 1945.

Textile Raw Materials

BOTH world production and world consumption of cotton declined materially in the 1941-42 season. According to the New York Cotton Exchange Service, world production amounted to 26,710,000 bales, against 28,683,000 bales in 1940-41. Of this quantity, 10,950,000 (12,305,000) bales were accounted for by American cotton. World consumption of all types of cotton declined simultaneously from 26,542,000 bales to 25,806,000 bales. The decline in consumption was entirely due to the reduced consumption of "outside growths." Consumption of "American cotton" showed an advance from 11,867,000 bales in 1940-41 to 12,355,000 bales in 1941-42. This increase directly reflects the strong increase in United States cotton consumption (from 9,722,000 to 11,300,000 bales), which has now become the main factor in the international cotton position. British

cotton consumption, according to the New York Cotton Exchange Service, continued its fall last season by reaching only 1,742,000 bales, against 2,110,000 bales in 1940-41. The new (1942-43) United States cotton crop will show a considerable advance on the season. The last (December 1st) official estimate put the expected crop at 12,982,000 bales, against 10,976,000 bales a year before. United States consumption at the end of 1942 was continuing to advance, although the rate of expansion has slowed down. The main event in the British raw cotton position was the liquidation on March 31st of Cotton Importers and Distributors, Ltd. Since that date the Government Cotton Control has employed individual merchants, selected from a voluntary list, for its commercial transactions. This practice has strengthened the Control's hold over all phases of cotton distribution and is reported to have proved cheaper than the transactions of Cotton Importers and Distributors, Ltd.

The Japanese advance into the South Seas greatly intensified wool shipping difficulties and caused the Government to curtail raw wool allocations still further. The 1941-42 Australian clip reached 3,656,000 bales, an increase of 44,000 bales on the good clip of the preceding season. In New Zealand an increase of 37,600 bales to 985,812 bales has been reported. The British Government continued to acquire the whole of the Australian and New Zealand clips and the bulk of the South African clip. The remaining free supplies, especially those from South America, are being absorbed by the United States, which also received regular supplies from British purchases in Australasia and South Africa. As from July 1, 1942, the British Government raised its wool buying prices in the three wool-producing Dominions by 15 per cent. Before that date prices had remained unchanged since the beginning of the war. British domestic raw wool prices, however, remained unchanged throughout 1942, although export prices were increased by one-fifth in the autumn.

Amongst other textile fibres, the flax position of the United Nations continued to improve owing to increased production in the British Empire, including the United Kingdom. The United States in 1942 started a hemp-growing programme, which aims primarily at replacing lost supplies of manila hemp and sisal. Sisal production was greatly expanded following the lifting of restrictions as a result of the Far Eastern war. Jute production and consumption, however, continued to be curtailed and silk remained very scarce, although Free China had become a silk producer of growing importance and some progress with silk production is reported from Mexico.

Rubber

FOLLOWING the loss of the Pacific resources, rubber has become one of the most critical of all raw materials in the United Nations' camp. A big synthetic rubber production programme, aiming at the production of over 1,000,000 tons of various types of synthetic rubber, has been initiated in the United States. Following a slow start, this programme is now making better progress, but large supplies will not be forthcoming until fairly late in 1943 and adequate supplies will hardly be available before 1944. In these conditions, the utmost economy had to be practised in rubber consumption in 1942 in order to make stocks of crude rubber last till the output of synthetics improves supplies. The various economy measures include in both the United States and in this country the virtual discontinuation of rubber consumption for civilian purposes and stringent restrictions in the use of tyres. In this country a car tyre census, covering all laid-up cars, has been taken to provide a tyre reserve for essential purposes. Scrap collection and the intensification of reclaimed rubber production is being actively pursued, and a natural rubber production drive has been initiated in all potential producing countries still open to the United Nations, with Ceylon and Brazil ranking first. The stringent rubber supply position has resulted in a further strengthening of the control organisation. In this country Mr E. Gore-Brown was appointed Rubber Controller in December. He is assisted by three "Directors" dealing with crude rubber, tyres and the uses of synthetic rubber respectively. In the United States, a Rubber Director (Mr William Jeffers) with wide powers was appointed in September.

THE STANDARD BANK OF SOUTH AFRICA LIMITED

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

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

10 CLEMENTS LANE, LOMBARD STREET, and 77 KING WILLIAM STREET, LONDON, E.C.

London Wall Branch: 63 London Wall, E.C.2.

West End Branch: 9 Northumberland Avenue, W.C.2.

New York Agency: 67 Wall Street.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA, ZANZIBAR, AND PORTUGUESE EAST AFRICA

THE UNION BANK OF SCOTLAND, LTD.

ESTABLISHED 1830

SUBSCRIBED CAPITAL	-	£5,200,000
PAID-UP	-	£1,200,000
RESERVE FUND	-	£1,900,000
DEPOSITS	-	£46,131,912

HEAD OFFICES:

GLASGOW—St. Vincent St. EDINBURGH—George St.
192 Branches throughout Scotland.

London Offices: 62 CORNHILL, E.C.3

Manager: JOHN THOMSON

HAS FOREIGN EXCHANGE DEPARTMENT

332 Oxford St., W.1 Robert L. Smith, Manager
1 Regent St., S.W.1 John Macdonald, Manager
140 Kensington
High St., W.8 George L. Simpson, Manager

Adapted in every way to carry through all forms of Banking Business in London and Scotland. At London Offices Current Accounts and other business conducted on the usual terms of London Banks.

NORMAN L. HIRD, General Manager.

NETHERLANDS BANK OF SOUTH AFRICA

(Incorporated with limited liability under the laws of the Netherlands operating temporarily from Pretoria.)

London Office:

201 SALISBURY HOUSE, FINSBURY CIRCUS, E.C.2

Head Office in South Africa: PRETORIA

BRANCHES IN SOUTH AFRICA:

BENONI	ERMELO	PAARL
BETHLEHEM	GERMISTON	PIETERSBURG
BLOEMFONTEIN	HARTEBEESTFONTEIN	PORT ELIZABETH
CAPE TOWN	JOHANNESBURG	POTCHEFSTROOM
DULLSTROOM		PRETORIA
DURBAN	JOHANNESBURG	SPRINGS
EAST LONDON	Kruis Street	WORCESTER

THE BANK OF INDIA LIMITED

ESTABLISHED 7th SEPTEMBER, 1906

CAPITAL ISSUED	Rs. 2,00,00,000
CAPITAL SUBSCRIBED	„ 2,00,00,000
CAPITAL CALLED UP	„ 1,00,00,000
RESERVE FUND	„ 1,18,00,000

HEAD OFFICE: ORIENTAL BUILDINGS, BOMBAY.

BOMBAY BRANCHES:

Bullion Exchange, Colaba, Kalbadevi and Malabar Hill.

OTHER BRANCHES:

Ahmedabad (Bhadra Office), Ahmedabad (Station Branch), Ahmedabad (Ellis Bridge), Andheri (near Bombay), Bandra (near Bombay), Calcutta (Clive Street, Main Office), Calcutta (Bara Bazar), Calcutta (Chowringhee Square), Jamshedpur, Karachi, Nagpur (Kingsway), Nagpur (Itwari Bazar), Poona, Poona City, Rajkot, Surat.

LONDON AGENTS:

The Westminster Bank Ltd.

DIRECTORS:

Sir Chunilal V. Mehta, K.C.S.I. (Chairman)
Mr. Ambalal Sarabhai
Sir Joseph Kay, Kt.
Mr. A. Geddis
Sir Cowasjee Jehangir, Baronet, K.C.I.E., O.B.E.
Mr. Dinsha K. Daji
Mr. Ramnivas Ramnarain
Manager: Sir Alexander Gray, Kt.

Current Deposit Accounts.—Interest is allowed on daily balances from Rs. 500 to Rs. 1,00,000 at 4 per cent. per annum. Interest on balances in excess of Rs. 1,00,000 allowed only by special arrangement. No credit will be given for interest amounting to less than Rs. 5 per half year.

Fixed Deposits.—Deposits are received fixed for one year or for shorter periods at rates of interest which can be ascertained on application.

Savings Bank.—Accounts opened on favourable terms. Rules on application.

The Bank acts as Executor and Trustee under Wills and Settlements and undertakes Trustee Business generally.

General Banking Business transacted.

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 & FULLY PAID UP	£20,000,000
RESERVE FUNDS:	
STERLING	£6,500,000
HONGKONG CURRENCY	£10,000,000
RESERVE LIABILITY OF SHAREHOLDERS	\$20,000,000

Head Office (temporarily):

9 GRACECHURCH STREET, LONDON, E.C.3.

Acting Chief Manager: A. MORSE.

BRANCHES AND AGENCIES THROUGHOUT INDIA AND THE FAR EAST, &c.

HONGKONG & SHANGHAI BANK (TRUSTEE) LIMITED
9 Gracechurch Street, E.C.3, a company incorporated in England and an affiliate of The Hongkong and Shanghai Banking Corporation, is prepared to act as Executor and Trustee in approved cases. Full particulars may be had on application.

Manufactures

THE proportion of Britain's industrial capacity devoted to the manufacture of goods for the civilian consumer and for export was further reduced in 1942, in order to make room for expansion in war production. The output of consumers' goods was confined to essentials and quantitative control was tightened. Of the civilian goods which are still manufactured, the greater part was made to utility specifications by the end of the year. Moreover, production was further concentrated; in all, some 250,000 workers and 137 million square feet of factory space have been released for other purposes by concentration. The building industry remained fairly active until the autumn when the volume of its work tended to decline with the completion of the greater part of the Government's construction programme. The output of iron and steel was raised in spite of difficulties to satisfy the enormous demand for steel by the munitions industries. The aircraft industry has grown into Britain's biggest single industry; the weight of aircraft produced in 1942 was 50 per cent greater than in 1941. The output of artillery was nearly, and that of filled shells and small arms ammunition more than, doubled. Production of both naval and merchant shipping tonnage substantially exceeded that of 1941. Neither the statistics nor the space are available for a detailed record of industrial production; iron and steel, shipbuilding and shipping, and the principal textile industries have been selected for brief reference.

Iron and Steel

THE iron and steel industry's production programme was heavier than in 1941. It had to make good, as far as possible, the reduction in imports from the United States; it had to rely, more than in 1941, on home-produced iron ore and scrap; and it had to produce a still larger proportion of special steels.

According to *The Iron and Coal Trades Review* of January 8th, the steelworks laid out to supply heavy materials for the shipbuilding and structural steel trades were very busy, except for an occasional lag in the demand for large sizes of joists and sections. Demand for steel plates from the shipbuilding, wagon, tank and other trades has been heavy. The steel trade was also active, though there was a slackening in March and April when, owing to the shortage of spelter, the manufacture of galvanised sheets was prohibited, except for special orders.

Great though the demand for ordinary carbon steels has been, that for alloy steels was even more marked. Difficulties had to be overcome owing to the loss of sources of raw material supplies in the Far East. They were overcome by changes in specifications, where substitutes could be employed. A technical advisory committee was set up to this end, and serious hold-ups in the production of munitions were avoided.

The electric steel milling process has made rapid strides. New high-frequency furnaces were installed, which rendered possible an appreciable expansion in the output of alloy steels which are essential to the production of aircraft parts, tanks, heavy armament and other weapons, as well as to the manufacture of engineering tools.

Except for minor adjustments, prices have remained unchanged since November, 1940, but costs of production continued to advance.

Shipping and Shipbuilding

WHILE the publication of shipping losses has been suspended, it is known that they were again heavy in 1942. Although the output of naval and merchant ships in British yards was bigger than in 1941, only the phenomenal expansion of launchings in the United States prevented a serious shrinkage in Allied carrying capacity, and brought the volume of new construction above the rate of loss.

The U-boat has been the enemy's chief means of sapping Anglo-American striking power, or, rather, of preventing the translation into effective striking power of the enormous resources at their command. At the end of 1942 Anglo-American carrying capacity remained inadequate for the full deployment of their combined strength.

The heavy shipping losses have focused attention on ways and means of countering the U-boat menace. The production of escort vessels was increased; aircraft were enlisted in growing numbers to bomb U-boat bases and centres of manufacture, and to patrol the seas.

There was a good deal of controversy about the speed of merchant ships constructed in British shipyards to Government specifications. Ships of 11½ knots were regarded by many as too slow, and it was suggested that vessels of 15 knots and more would enjoy a greater measure of safety. Normally more carrying capacity can be provided with a given volume of resources—labour and materials—by the building of the slower variety; the faster type absorbs about 50 per cent more labour and materials than the slower, and it competes for machinery with the escort vessel. But, in view of their greater safety, the Government decided to build as many fast ships as possible without misusing resources; at the beginning of 1943 about one-third of the merchant vessels under construction in British shipyards were of the faster type.

Cotton Textiles

DURING 1942 production in the cotton textile industry was almost entirely concentrated on meeting the needs of the fighting Services, and with the extension of the war to the Far East, exports were greatly restricted. There was a great extension of control and supervision in the industry. A planning department was established by the Cotton Control for the production and distribution of goods, and at the end of March, the Controller took over the responsibilities for supplies and consumption of raw cotton previously exercised by Cotton Importers and Distributors, Limited.

The concentration of production scheme, which came into operation in 1941, resulted in an output of yarn and cloth equal to only about 60 per cent of capacity. A few mills were restarted during the year, but no large-scale development was possible owing to the labour shortage. Even the nucleus spinning mills were unable to work to full capacity, and few manufacturers were able to work all their looms. On June 24th it was decided to increase the allowance for the care and maintenance of stopped spinning mills, towards which all the nucleus firms contributed, from £7,000 a year per 100,000 spindles to £10,000 a year—an increase which was welcomed by the trade.

Several steps were taken to relieve the labour shortage. From the beginning of the year, the entire cotton industry was placed on a war footing with munitions, and the Essential Work Order was applied to the weaving branch—it had been applied to the spinning section in October, 1941. In May, the Minister of Labour agreed that some thousands of cotton operatives employed in other industries would be redirected to spinning mills. Between January and August, four hours' overtime a week were worked in spinning mills, and a certain number continued to operate the 52-hour week until the beginning of November. As a result of these measures, the output position improved, though there is no doubt that the hours were too long for many of the young persons engaged in the industry. At the beginning of the year yarn production was held to be about 15 per cent below essential requirements. By June, the Cotton Control announced that output had reached a record level, though it was still below the desired amount. In the cloth market, demand in general far exceeded supply, though producers of fine materials did less well than manufacturers of coarse and heavy materials; the utility cloth scheme worked satisfactorily. Controlled prices for cloth were introduced in April, and covered about 80 per cent of weaving production.

The entry of Japan into the war caused a further decline in exports; operations in Egypt and the Near East were also restricted, and the main outlets were West Africa, South Africa and South America. In the nine months ended September, 1942, shipments of export yarns amounted to 14,239,000 lb, as compared with 22,995,000 lb in the same period of 1941; while exports of cloth during the same period of 1942 were 369,420,000 square yards, as against 556,629,000 square yards in 1941 (January-September).

The operatives in both spinning and weaving sections

put forward wage claims for percentage increases on current earnings which were the subject of protracted negotiations throughout the year. The issue was referred to national arbitration, and in the end flat rate increases of 5s. a week for adult operatives were granted.

During the year increasing attention was paid to the post-war prospects for the industry, and discussions took place between the Board of Trade and the industry. The subject about which there was most discussion was the desirability of the Cotton Control remaining in existence.

Wool Textiles

AS with the cotton industry, the wool textile trade came under an increasing degree of control during 1942, and production for ordinary civilian consumption was further curtailed. The rationing procedure was generally tightened up, and production was directed mainly towards meeting military requirements. The order for priority established was, first, military requirements, secondly the utility clothing scheme, thirdly approved export trade and, lastly, non-utility civilian goods.

The general wool supply position was well maintained. Australia's production was 3,656,013 bales as compared with 3,611,923 bales in the previous season; New Zealand's was 985,812 as compared with 948,163, and South Africa's 250 million pounds as compared with 241 million pounds. At all these centres of supply, balances of unsold or unshipped wool accumulated.

Prices remained very stable, largely owing to the introduction of the utility scheme which fixed prices and profit margins at every stage of production and distribution. Issue prices for wool and tops for the home civilian trade were unaltered, but those for export yarns or fabrics were increased in July in order to offset an increase of 20 per cent in issue prices of wool and tops for the export section. The prices for civil yarn trades rose slightly, from about 1d. per lb. to 4½d. per lb. in certain qualities.

There was a general falling-off in overseas trade in wool textiles, following upon the export licensing and market allocation system which was introduced on February 1, 1942. The course of exports since 1938 is shown below:

	(In 1,000s.)		
	Woolens sq. yds.	Worsted sq. yds.	Totals sq. yds.
1938	58,919	31,573	90,492
1939	59,400	34,077	93,477
1940	45,487	37,558	83,045
1941	58,195	28,144	86,339
1942	47,800	25,446	73,246

During the year an agreement was reached with the Canadian Government with the object of ensuring the best

possible use in Canada's war economy of supplies of wool yarns and woven wool tissues exported from the United Kingdom.

The chief problem which the wool textile industry has faced is that of labour shortage, in particular shortage of skilled labour. The worsted spinning section was most affected, and, to a lesser extent, worsted weaving. The situation was improved by the application to most firms, except woolcombers, of the Essential Work Order.

Rayon

THE feature of the year in the rayon industry was the development of the utility scheme. Until the full specifications were introduced in the summer, the industry was scarcely affected. From the limited range of yarns permitted a satisfactory range of cloths has been produced. The limits placed on the diversity of yarns crowned a process of rationalisation which the rayon producers had been endeavouring to bring about for some years. It released labour and material, and cheapened costs, yet a wide selection of good materials at low cost is available. A prominent part is being played by the newer staple fibre fabrics. Crease-resisting finishes recently developed were incorporated. The utility scheme was, however, a heavy blow to firms with branded names, and others, who by a system of "quality-control," had gone far towards the object which the Government attempted in utility. There is a general satisfaction about the scheme as a whole so far as war conditions are concerned, but a desire for freedom as soon as possible after the conclusion of hostilities. In the knitting trade, the largest possible supply of rayon and staple fibre was arranged. In the hose trade, difficulties were considerable, owing to the necessity of supplying seamless stockings, and efforts have been made to overcome them. Official encouragement was given to the use of rayon or staple fibre in underwear in place of wool. The industry continued to supply increasing quantities of rayon for Service requirements for clothing and for other war purposes. While there was less rayon available for export, considerable trade was done in yarn with Argentina, Australia and Canada, and in piece-goods with the Dominions and West Africa. The entry of Japan into the war has created great shortages in the East, particularly in India. The rayon companies have, on the whole, disclosed satisfactory working conditions, and are optimistic regarding the ultimate future of the industry. It is increasingly obvious that the line between rayon and plastic producers is growing thinner, and that big developments both in this and in new textiles made synthetically will take place. Apart from a necessary increase in staple fibre, prices remained constant throughout the year.

STOCKHOLMS ENSKILDA BANK

AKTIEBOLAG

STOCKHOLM

Established in 1856

Capital: 100,000,000 Kronor

TELEGRAPHIC ADDRESS:
NITTON-STOCKHOLMHEAD OFFICE:
STOCKHOLM 16

Retail Trade

SUPPLIES of goods for civilian consumption were reduced during the year, and from August 1, 1942, important changes were made in the system of limiting supplies. The manufacture of certain items of jewellery, gold and silver-smiths' wares, cutlery, toys, leather goods, glassware and fancy goods was entirely prohibited. The manufacture of some classes of goods, including floor coverings, hardware, fountain pens and mechanical lighters, was prohibited except under licence. Quotas for other categories of goods were reduced. The full effect of these measures cannot be shown statistically, but changes in the value of retail sales are indicated in the accompanying tables. The first table shows the changes in the different categories of goods during the year ending January, 1943. The value of stocks (at cost) is given at the end of January, 1943. Sales and stocks are set out by districts. Prices of non-food merchandise continued to rise during the year, but by the end of the year price control Orders had been applied to a large number of civilian consumption goods. The second shows the percentage change in the average daily value of retail sales, month by month, compared with the corresponding month of 1941. The value of food sales was higher in 1942 than in 1941, and the rise was fairly consistent throughout the year. The fluctuations in the value of non-food merchandise sales were partly due to the dependence on coupons of clothing purchases.

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

PERCENTAGE CHANGES

(a) By Commodities

	Sales Year ended January, 1943	Stocks (at Cost) End of January, 1943
Non-food merchandise: -	%	%
Piece goods	+ 0.7	+ 8.6
Women's wear	+ 0.5	+ 20.7
Men's and boys' wear	+ 4.8	+ 2.5
Footwear	+ 3.1	+ 28.3
Furnishing departments	+ 3.3	+ 10.1
Hardware	+ 10.8	+ 6.6
Fancy departments	+ 0.2	+ 38.1
Sports and travel requisites ..	+ 17.3	+ 29.4
Miscellaneous	+ 6.0	+ 10.0
Total	+ 0.1	+ 3.7
Food and perishables	+ 3.5	+ 19.0
All departments	+ 1.9	+ 5.5

(b) By Districts

	Sales Year ended January, 1943	Stocks (at Cost) End of January, 1943
Scotland	+ 2.1	+ 3.2
North-east	+ 2.0	+ 3.6
North-west	+ 1.0	+ 0.6
Midlands and South Wales	+ 0.4	+ 4.3
South of England	+ 2.5	+ 10.8
Central and West-end London ..	+ 14.9	+ 19.8
Suburban London	+ 5.8	+ 14.0

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

	Food and Perishables	Other Merchandise
1942 February	+ 1.8	+ 11.3
March	+ 4.3	+ 5.3
April	+ 0.9	+ 0.6
May	+ 5.0	+ 11.2
June	+ 4.2	+ 0.8
July	+ 5.9	+ 0.7
August	+ 3.7	+ 4.4
September	+ 5.1	+ 1.7
October	+ 5.4	+ 14.0
November	+ 5.3	+ 2.5
December	+ 1.2	+ 2.8
1943 January	+ 1.6	+ 16.9

Clothing and Utility Goods

THE clothing ration for the period June 1, 1942, to July 31, 1943, is 60 coupons, compared with 66 for the first ration period of twelve months. Manual workers received ten extra coupons. Children under seventeen were granted ten to thirty additional coupons, according to age and size. There were a few changes in coupon values. On July 14th values of infants' footwear and other clothing were slightly increased, as were women's woollen stockings and domestic overalls. Most furnishing fabrics required coupons from that date. On October 11th towels were included in the clothing ration, and the coupon values of men's woollen underwear and women's fully fashioned stockings were raised. Women's unlined jackets and men's short-sleeved non-woollen shirts required fewer coupons. Officers of the Army, RAF, ATS and WAAF were issued with 88 coupons to replace the system of signing bills.

Supplies of utility clothing greatly increased during the year. The effect of the removal of the purchase tax from utility clothing on August 3rd and the increased supplies is clearly demonstrated by the fall in the clothing component of the Ministry of Labour's cost of living index. For six months until the end of July, 1942, the index showed a rise in clothing prices of 95 per cent above the level at September 1, 1939. Between July, 1942, and January 1, 1943, there was a fall amounting to nearly 12 per cent. In the first year of clothes rationing a saving of a quarter of a million tons of shipping space was made, and nearly 400,000 workers were released for the Forces and war industries. Utility clothing now amounts to 80 per cent of production for civilian purposes, and control covers prices of cloth and clothing and qualities of cloth.

Household textiles are entirely utility produced; price schedules and quality specifications are laid down. Purchase tax is chargeable. Only utility furniture was permitted to be manufactured after December 1, 1942, and control is complete: it covers price, quality, design and raw materials. It can be bought only by newly married persons and those whose furniture has been destroyed by enemy action. Utility furniture is not subject to purchase tax. The principles of utility schemes were applied to domestic pottery. No other schemes are contemplated at present.

THE ECONOMIST INDEX NUMBER OF WHOLESALE PRICES

Commodity	Unit of Measurement	Average						1942 (End of Month)											
		1929	1932	1939	1940	1941	1942	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
		1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100	1913=100
Cereals and Meat		135.6	95.4	103.1	129.6	138.8	150.0	149.0	153.0	153.5	155.2	155.9	155.3	147.5	149.2	148.2	146.0	148.0	151.0
Other Food		136.8	99.6	104.5	130.4	151.6	162.9	158.0	158.9	158.9	158.0	158.0	158.0	161.9	163.2	168.0	166.8	164.5	166.8
Textiles		141.9	75.7	90.5	131.4	142.3	143.1	145.2	145.3	143.1	143.1	142.8	142.3	142.8	142.1	143.0	142.9	142.9	142.0
Minerals		116.2	88.6	116.3	145.3	157.8	161.5	158.9	158.9	158.9	158.9	158.9	158.9	160.0	160.0	167.0	167.0	167.0	167.0
Miscellaneous		112.7	77.1	99.8	130.7	140.9	149.2	143.0	147.2	147.2	147.2	148.3	149.5	149.5	150.8	151.9	152.0	152.0	154.1
Complete Index		127.2	86.1	102.1	132.6	145.4	152.8	149.0	152.0	151.8	152.1	153.0	153.1	151.8	153.2	154.4	153.7	153.9	155.0
Cereals and Meat		127.2	86.1	102.1	132.6	145.4	152.8	149.0	152.0	151.8	152.1	153.0	153.1	151.8	153.2	154.4	153.7	153.9	155.0
Other Food		96.9	68.2	73.8	92.6	99.2	107.3	106.4	109.6	110.0	111.2	111.8	111.3	105.8	106.8	106.1	104.5	105.9	108.0
Textiles		92.2	49.2	58.8	85.7	92.8	93.0	94.3	99.4	99.3	93.3	92.7	92.5	92.7	92.4	92.9	92.8	92.8	92.3
Minerals		95.6	72.9	95.6	119.5	129.8	132.8	130.7	130.7	130.7	130.7	130.7	130.7	131.8	131.8	137.2	137.2	137.2	137.2
Miscellaneous		90.5	61.9	80.8	104.9	105.7	111.0	108.9	110.5	110.3	110.8	111.2	111.3	110.2	110.7	112.2	112.0	112.0	123.8
Complete Index		92.4	62.8	74.2	96.4	105.7	111.0	108.9	110.5	110.3	110.8	111.2	111.3	110.2	110.7	112.2	111.7	111.8	112.7

BRITISH WHOLESALE PRICES

Commodity	Unit of Measurement and Price	End of Year				1942 (End of Month)											
		1929	1939	1940	1941	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Cereals and Meat																	
Wheat, No. 1 Northern Manitoba*	s. d. per qr.	55 6	30 7	26 9	33 10 1/2	35 7	35 4	34 3	34 3	34 5 1/2	35 1	37 8	37 7 1/2	38 7	38 3	38 8 1/2	39 1 1/2
" English Gazette Average...	" per cwt.	9 6	7 1	6 3	7 14	7 15	15 10	15 10	16 10	15 11 1/2	15 11 1/2	17 8	17 5	18 3	16 4	16 6	16 6 1/2
Flour, London Standard, ex-mill...	" per 280 lb.	40 0	22 0	25 6	33 3	33 3	33 3	33 3	33 3	33 3	33 3	33 3	33 3	33 3	33 3	33 3	33 3
Barley, English Gazette Average...	" per cwt.	8 11 1/2	16 4	21 6	34 1	37 3	35 3	37 2	36 0	36 5	36 1	36 5	35 3	35 3	34 0	34 4	34 8
Oats...	"	7 3	13 4	14 6	14 3	14 11	15 6	15 2	14 10	14 9	14 7	14 5	15 4	15 3	14 9	15 3	15 1
Maize, La Plata, landed...	" per qr.	31 3	23 7 1/2	12 1	13 10 1/2	13 9	13 9	13 9	13 9	13 9	13 6	13 6	13 6	13 6	13 10 1/2	13 10 1/2	13 10 1/2
Rice, No. 2 Burma...	" per cwt.	12 6	15 0	12 3	12 3	7 7 1/2	7 5 0	7 5 0	7 5 0	7 5 0	8 0 0	5 5 0	7 7 1/2	6 2 1/2	5 0 0	5 2 1/2	5 0 0
Potatoes, Good English...	£ per ton	4 50	6 33	5 33	5 33	5 33	5 33	5 67	5 67	5 67	5 67	5 67	5 67	5 67	5 67	5 67	5 67
Beef, English Sides...	s. per 8 lb.	5 75	5 33	5 33	5 33	5 33	5 33	5 50	5 50	5 50	5 50	5 50	5 50	5 50	5 50	5 50	5 50
" Imported Chilled Hind-Quar.	"	7 00	6 33	6 16	6 16	6 16	6 16	6 54	6 54	6 54	6 54	6 54	6 54	6 54	6 54	6 54	6 54
Mutton, English...	"	4 93	3 13	4 33	4 33	4 33	4 33	4 58	4 58	4 58	4 58	4 58	4 58	4 58	4 58	4 58	4 58
Bacon, Wiltshire Cut Sides...	s. per cwt.	103 5	115 0	113 5	126 0	126 0	126 0	126 0	126 0	126 0	126 0	126 0	126 0	126 0	126 0	142 0	142 0
Other Food Products																	
Tea, Indian Auction Average...	d. per lb.	13 12	13 46	100 0	197 6	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0
Coffee, Costa Rica, Good to Fine...	s. d. per cwt.	165 0	101 0	100 0	197 6	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0
Cocoa, Grenada...	"	22 0	65 3	58 6	81 0	81 0	81 0	81 0	81 0	81 0	81 0	81 0	81 0	81 0	81 0	81 0	81 0
Sugar, B.W.I. Crystallised...	"	22 8 1/2	36 10	40 6	49 10	49 10	49 10	49 10	49 10	49 10	49 10	49 10	49 10	49 10	49 10	49 10	49 10
" Refined Granulated, London...	"	98 0	78 0	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2	99 2
Cheese, Imported...	"	181 0	145 0	143 0	142 0	142 0	142 0	142 0	142 0	142 0	142 0	142 0	142 0	142 0	142 0	142 0	151 4
Butter, All Grades...	£ per ton	34 00	22 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	28 13	36 63	36 63	36 63
Coconut Oil, Crude...	"	13 12	13 46	100 0	197 6	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0	195 0
Textiles																	
Cotton, American Middling...	d. per lb.	9 50	8 78	8 58	9 25	9 25	9 25	8 90	8 90	8 90	8 90	8 90	8 90	8 90	8 90	8 90	8 90
" Egyptian f.g.f., Giza...	"	14 15	10 37	12 19	12 05	12 05	12 05	11 55	11 55	11 55	11 55	11 55	11 55	11 55	11 55	11 55	11 55
Yarn—32's Twist...	s. d. per piece	13 87	18 25	15 74	16 85	16 85	16 85	16 83	16 83	16 83	16 83	16 83	16 83	16 83	16 83	16 83	16 83
" Cloth—39-inch Shirtings...	"	13 0	12 8	12 0	14 2	14 4	14 5	14 5	14 5	14 5	14 5	14 5	14 5	14 5	14 5	14 5	14 5
Wool, English, Lincoln, Washed...	d. per lb.	16 00	15 00	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75	19 75
" Australian, Scoured Fleece, 70's (a)...	"	33 00	26 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00	37 00
" Tops, 64's...	"	32 00	31 75	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00	45 00
Flax, Livonian Z.K....	£ per ton	58 00	147 50	27 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00
Hemp, Manila...	"	28 00	49 50	27 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00	32 00
Jute, Daisie 2 1/2's... Dundee (b)...	"	72 6	108 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0	128 0
Minerals																	
Pig Iron, Cleveland, G.M.B. No. 3...	s. per ton	8 50	10 15	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53	14 53
Steel Rails, Middlesbrough...	£ per ton	10 75	12 75	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63	15 63
Iron Bars...	"	18 10 1/2	21 6	29 9	30 0	30 0	30 0	30 0	30 0	30 0	30 0	30 0	30 0	30 0	30 0	30 0	30 0
Tin Plates, I.C.C. S. Wales...	s. d. per box	17 11 1/2	22 1	31 3	31 11 1/2	28 4	28 4	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9	29 9
Coal, Welsh, Best Ad'...	s. d. per ton	17 11 1/2	22 1	26 4	28 4 1/2	28 4	28 4	28 4	28 4	28 4	28 4	28 4	28 4	28 4	28 4	28 4	28 4
" Durham, Best Gas...	"	21 3	26 0	31 9	32 4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4	44 1 1/4
" Sheffield, Best House...	"	23 25	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00	25 00
Lead, Soft Foreign (c)...	£ per ton	178 18	247 9	256 8	275 0	275 0	275 0	275 0	275 0	275 0	275 0	275 0	275 0	275 0	275 0	275 0	275 0
Tin, Standard (e)...	"	83 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00	62 00
Copper, Electrolytic...	"	20 25	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75	25 75
Spelter, G.O.B....	"	7 0	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5
Miscellaneous																	
Timber, English Oak Planks...	s. per c. ft.	19 00	25 13	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25	46 25
" Swed. U/S 2 1/2 x 7...	£ per st.	47 0	45 0	44 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5	49 5
Cement, Best Portland...	s. per ton	6 63	7 69	4 75	7 56	7 75	7 75	7 75	7 75	7 56	7 56	7 56	7 56	7 56	7 56	7 56	7 56
Hides, Market, Best Ox...	d. per lb.	21	27	31	36	36	36	36	36	36	36	36	36	36	36	36	36
Leather, Sole Bends & 14 lb...	d. per gal.	17 1/2	18 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2	21 1/2
Petrol, No. 1 Spirit (d)...	"	12	9 25	11	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2
Kerosene, burning oil...	"	6 1/2	6 1/2	7 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
Furnace Oil...	"	45 00	36 50	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5	41 5
Lined Oil, Naked, net...	£ per lb.	8 00	11 63	12 19	13 75	13 75	13 75	13 75	13 75	13 75	13 75	13 75	13 75	13 75	13 75	13 75	13 75
Rubber, Plant, Sheet...	£ per ton	5 12	5 37	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13	5 13
Soda, Crystals...	d. per gal.	4 25	5 63	5 37	6 25	6 25	6 25	6 25	6 25	6 25	6 25	6 25	6 25	6 25	6 25	6 25	6 25
Cresote, London...	"	7 0	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5	8 5

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 can be opened on usual London terms

Head Office: 38 St. Andrew Square, Edinburgh

Branches throughout Scotland

Affiliated to Barclays Bank Limited.

THE NATIONAL BANK OF SCOTLAND LIMITED



**Head Office:
EDINBURGH**

**Branches throughout
SCOTLAND**

ESTAB^d 1825

LONDON OFFICES: 37 Nicholas Lane, E.C.4, and 18/20 Regent St., Piccadilly Circus, S.W.1
Every description of banking service undertaken, including Foreign Exchange, Trustee and Executry business.

THE BANK OF AUSTRALASIA

(Incorporated by Royal Charter 1835)

Head Office: 4 THREADNEEDLE STREET, LONDON, E.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
	£13,500,000

D. F. ANDERSON, Esq.
Hon. GEOFFREY C. GIBBS.
J. F. G. GILLIAT, Esq.

DIRECTORS:
EDMUND GODWARD, Esq.
CHARLES GIPPS HAMILTON, Esq.
FREDERICK V. G. LIVINGSTONE-
LEARMONTH, Esq., D.S.O.

DAVID J. ROBERTS, Esq.
Sir JOHN SANDERSON, K.B.E.
ARTHUR WHITWORTH, Esq.

Numerous Branches throughout the States of VICTORIA, NEW SOUTH WALES, QUEENSLAND, SOUTH AUSTRALIA, WESTERN AUSTRALIA, TASMANIA and the Dominion of NEW ZEALAND.

The Bankers transact every description of Banking business in Australia and New Zealand. Negotiates telegraphic transfers, Letters of Credit and Drafts, also Circular Credits and Travellers' Cheques.

Deposits accepted at interest for fixed periods on terms which may be ascertained on application.

G. C. COWAN, Manager.

THE ANGLO-PALESTINE BANK LTD.

INCORPORATED 1902

STAFFORD HOUSE, 20 KING WILLIAM STREET, LONDON, E.C.4.

GENERAL MANAGEMENT: TEL-AVIV

BRANCHES:

TEL-AVIV JAFFA JERUSALEM HAIFA TIBERIAS
SAFAD PETAH-TIKVAH HEDERA HADAR-HACARMEL REHOVOTH

Undertakes every description of Banking Service for Business with Palestine